PN-ACS-065
118899

ALTERNATIVE TRANSPORTATION TECHNOLOGIES, INDIA

COMPANY PROFILES FOR MAHINDRA & MAHINDRA LTD. AND ASHOK LEYLAND LTD.

Prepared for
United States Agency for International Development

Under contract
IQC No. LAG-I-00-98-00006-00

APRIL 1999

BECHTEL NATIONAL, INC.

23865-107-0003

A

Introduction

This document presents a high level summary of the business operations and results for the two potential partner firms for the Bechtel-USAID electric vehicles program in India. These firms are vehicle makers Mahindra & Mahindra and Ashok Leyland Ltd., which both rank within the top 20 largest Indian corporations by sales.

This report includes the following sections:

- Section 1 presents an overview and comparison of the business operations and results for the two firms.
- Section 2 presents background and supporting information for Mahindra & Mahindra Ltd.
- Section 3 presents background and supporting information for Ashok Leyland Ltd.

General Description of Operations

Mahindra & Mahindra

Founded in 1945, Mahindra Group is the second largest manufacturer of vehicles in India (behind Telco), with operations in automotive vehicles, farm equipment, automotive components, and several other concerns. The company enjoys over 50% of the Indian market for utility vehicles, LCVs and services. The company dominates the Indian utility vehicle and tractor markets, and this dominance is expected to continue with revenues and profits growing steadily. Mahindra Ford, a 50:50 large scale joint venture of Mahindra & Mahindra and Ford Motor Company to build an Indian version of the Ford Escort, exemplifies the company's current rapid expansion.

The company is investor owned and traded on the major Indian exchanges. The distribution of equity shareholders includes 39% foreign holdings, 30% government, 17% corporate bodies and 14% other.

Ashok Leyland

Founded in 1948, Ashok Leyland is the fourth largest manufacturer of commercial vehicles in India. The company's business lines include trucks, buses, special application vehicles and engines. The company is investor owned 51% by Hinduja Group and IVECO (Fiat Group), 26% by the government, and 23% other.

For year ending 3/31/98, the company experienced a steep decline in financial operating results. This has been blamed on a deep recession in the Indian road transport sector, and the commercial vehicle industry in particular. The company reports steadily increasing operating losses. The domestic market is expected to remain in a severe slump through 1999. The export market, in particular the export market to Asia, has declined with the collapse of East Asian economies.

Financial Analysis

Table 1 compares measures of financial performance for the two companies for year ending 3/31/98. The table presents an analysis of key financial ratios indicating the companies' financial structures and performance results.

Please note that for this preliminary analysis some important financial data for Mahindra was assumed based on industry experience, because the balance sheet was not readily available in

an internet search. While we expect that the information presented below is illustrative, at this stage the information is subject to verification and should be used only to make broad brush comparisons between the two companies.

The financial data indicates that Mahindra & Mahindra experienced favorable financial results in 1997-8, whereas Ashok Leyland faced a difficult year and a significant decline from the previous year.

Mahindra is providing healthy returns to shareholders, and has no problems making its debt payments. Ashok, on the other hand, has experienced a recent sharp decline in earnings, and may need to increase its debt to make interest payments if the current trend continues. The downturn for Ashok follows at least 3 years of healthy returns for the period 1995-1997.

Table 1: Key Financial Ratios

	Mahindra year End 3/31/98	Ashok year End 3/311998	Ashok Year End 3/31/1997
Current Ratio (Liquidity)	na	na	na
Debt Ratio (Total Debt to Total Assets)	42%	53%	52%
Times Interest Earned (before tax)	3.6	1.1	1.9
Inventory Turnover	na	na	na
Total Assets Turnover	1.4	0.9	1.1
Profit Margin on Sales	6%	1%	5%
Return on Total Assets	8%	1%	5%
Return on Net Worth (Equity)	15%	1%	8%

Table 2 shows growth trends for sales and profit trends for the period 1995-1998. Both companies have shown strong sales growth over the past 3 years. Despite the recent market downturn for Ashok, the company's sales have grown an average of 10% per year. Mahindra has posted impressive growth in both sales and profitability. Sales have grown an average of 23% per year, and earning per share have grown by 6% per year.

Table 2: 3-year Growth Trends for Sales and Profits

3-yr Growth	Mahindra			Ashok		
	1995	1998	'95-'98	1995	1998	'95-'98
Sales, Rs Million	21130	39471	23%	15133	20143	10%
Net Profit, Rs Million	1135	2458	29%	706	172	-38%
Earnings per Share, Rs Million	20.17	23.77	6%	5.94	1.45	-38%

State of the Indian Vehicle Industry

The following tables provide data on the state of the Indian vehicle industry. The first table shows 1997-8 market share for the major manufacturers by vehicle type. The second table shows market share trends over 3 years. The third table lists the 20 largest companies in India by sales.

The state of Indian Automotive Market

Source : Association of Indian Automobile Manufacturers - monthly report

Model	December				April-December			
	F 97	%	F 98	%	F 97	%	F 98	%
PASSENGER CARS TOTAL	**35,310**	**100.00**	**27,618**	**100.00**	**305,917**	**100.00**	**289,858**	**100.00**
Mahindra Ford S	354	1.00	213	0.77	5555	1.82	2,646	0.91
Hindustan Motors	2,111	5.98	1,825	6.61	16,807	5.49	14,327	4.94
Honda Siel Cars India		0.00	551	2.00		0.00	6,918	2.39
Hyundai Motor India Ltd.		0.00	3,881	14.05		0.00	8,448	2.91
Ind Auto		0.00	538	2.12		0.00	6,427	2.22
Premier Automobiles	848	2.40	126	0.46	9,434	3.08	2,484	0.86
PAL Peugeot	333	0.94	10	0.04	4,644	1.52	426	0.05
Maruti Udyog	30,944	87.64	20,170	78.03	248,935	81.37	237,268	81.86
Telco	16	0.05	189	0.68	3,913	1.28	1,870	0.65
Daewoo Motors	314	0.89	N/A		7,181	2.35	5,624	1.94
General Motors	226	0.64	N/A		6,776	2.21	2,441	0.84
Mercedes Benz	166	0.47	64	0.23	2,672	0.86	979	0.34
UTILITY VEHICLES TOTAL	**9,884**	**100.00**	**8,001**	**100.00**	**98,065**	**100.00**	**79,349**	**100.00**
M&M Total	5,327	53.90	5,077	63.20	49,867	50.85	45,901	57.85
Hindustan Motors	435	4.40	133	1.66	2,574	2.62	2,157	2.72
Maruti Udyog	739	1.41	314	3.92	5,108	5.21	4,319	5.44
Bajaj Tempo	784	7.93	472	5.90	6,629	6.76	3,802	4.79
Telco	2,529	35.19	2,0255	25.31	33,887	34.56	23,176	29.21
LCV TOTAL.	**5,331**	**100.00**	**4,905**	**100.00**	**47,666**	**100.00**	**39,518**	**100.00**
M&M Total	429	8.05	326	6.65	4,956	10.40	3,617	9.15
` Bajaj Tempo	531	9.96	339	6.91	3,736	7.84	2,392	6.05
Telco	3,620	67.90	3,663	74.68	31,831	66.78	28,598	69.84
Daewoo Motors	0	0.00	0	0.00	190	0.40		0.00
Swaraj Mazda	251	4.71	186	3.79	2,382	10.54	2,129	5.39
Eicher Motors	402	7.54	367	7.48	3,625	7.61	3,434	0.69
Ashok Leyland	98	1.84	245	0.49	936	1.96	348	0.88
BUSES & TRUCKS TOTAL	**5,036**	**100.00**	**8,204**	**100.00**	**66,110**	**100.00**	**50,687**	**100.00**
Ashok Leyland	2,002	39.75	2,935	35.78	19,645	29.72	18,095	35.75
Hindustan Motors	60	1.19	0.00	0.00	412	0.62	228	0.45
Telco	2,947	59.05	5,269	64.22	46,053	69.66	32,364	63.85
4-WHEELER TOTAL	**55,560**		**48,738**		**517,758**		**459,412**	

The state of the Indian Automotive Market over the past three years

Model	F 98	F 97	F 96
PASSENGER CARS TOTAL	**417,736**	**410,912**	**345,486**
Mahindra Ford	6,451	3,606	
Hindustan Motors	22,589	25,828	27,723
Premier Automobile	11,369	10,250	20,340
PAL Peugeot	5,301	7,537	10,342
Maruti Udyog	345,303	330,414	267,020
Honda City	1,340		
Mercedes Benz	3,042	1,683	387
Telco	4,685	7,326	10,629
Daewoo Motors	10,108	16,866	9,045
UTILITY VEHICLES TOTAL	**133,629**	**134,558**	**68,660**
M&M Total	69,837	69,366	57,387
Hindustan Motors	3,475	2,602	2,691
Maruti Udyog	7,785	8,332	8,582
Bajaj Tempo	8,843	13,029	
Telco	43,689	41,229	
LCV TOTAL.	**62,925**	**84,109**	**121,058**
Mahindra Total	6,332	5,829	6,352
Telco	41,660	57,519	77,294
Bajaj Tempo	4,866	7,804	24,971
Daewoo Motors	190	799	
Swaraj Mazda	3,301	3,735	4,216
Eicher Motors	5,266	6,589	5,875
Ashok Leyland	1,310	1,834	2,350
BUSES & TRUCKS TOTAL	**93,628**	**151,475**	**128,094**
Hindustan Motors	496	591	444
Ashok Leyland	30,238	41,697	34,373
Telco	62,894	109,187	93,277
4-WHEELER TOTAL.	**707,918**	**781,054**	**663,298**

Top 20 Companies of India by Sales (1996)

Rank	Name of the Company	CEO	Sales (Rs Mill)
1	TELCO	RATAN.N.TATA	77910.00
2	RELIANCE INDUSTRIES	DHIRUBHAI H. AMBANI	77863.00
3	TISCO	J.J.IRANI	53719.00
4	ITC	Y.C.DEVESHWAR	51210.00
5	IDBI	S.H.KHAN	50484.00
6	LARSEN &TOUBRO	S.D.KULKARNI	42623.00
7	HINDUSTAN LEVER	K.B.DADISETH	37827.00
8	GRASIM	KUMAR MANGALAM BIRLA	32097.00
9	MAHINDRA & MAHINDRA	KESHUB MAHINDRA	27815.00
10	BAJAJ AUTO	RAHUL BAJAJ	27429.00
11	CEAT	H.V.GOENKA	10961.00
12	ACC	S.GANGULY	23430.00
13	BROOKE BOND LIPTON	R.GOPALAKRISHNAN	21125.00
14	ASHOK LEYLAND	R.J.SESHASAYEE	20565.00
15	IFCI	K.D.AGARWAL	19362.00
16	SPIC	A.C.MUTHIAH	18114.00
17	CENTURY TEXTILES	B.K.BIRLA	17360.00
18	VIDEOCON INTERNATIONAL	VENUGOPAL N.DHOOT	15941.00
19	PHILIPS	H.J.J.RENSMA	15869.00
20	BSES	R.V.SHAHI	15709.00

Mahindra Group

Gateway Building, Apollo Bunder, Bombay
400001.
Tel: 91-22-2021031, *Fax:* 91-22-2028780

Profile

Type of Company	Manufacturing and Services
Year Established	1945
Parent Holding Company	Mahindra & Mahindra Ltd.
Scope of Operations	Automotive vehicles, Farm equipment, Automotive components, Infrastructure Development, Trade and Financial services, Telecom & Software.
Sales Turnover	US $1 Billion (1994-95) (ranks 9th out of Indian corporations)
Forecast	US $2.5 Billion (1999-2000)
Main Offices	Mahindra & Mahindra Ltd., Gateway Building, Apollo Bunder, Bombay 400001.
No. of Employees	20,000
Organisation Structure	Board of Directors, Chairman, Executive Directors, Sector Presidents.

MAHINDRA & MAHINDRA LTD.

Gateway Building, Apollo Bunder, Mumbai 400001

Company summary from Mumbay stock exchange web site.

CAPITAL INFORMATION

Capital Type	Face Value	Shareholders	Market Lot
Equity	10	98186	50
Listed at	Blore. ,Calcut .Chen'i ,Delhi ,Mumbai ,Pune		

DISTRIBUTION OF EQUITY SHAREHOLDINGS

Catergory	Shares Held	% of Total
I. Foreign Holdings	40344094	39.03
II. Govt./Govt. sponsored Financial Institutes	31439818	30.41
III. Bodies Corporate **(Not covered under I & II)**	17765207	17.19
IV. Directors & their relatives	1366046	1.32
V. Top 50 shareholders (Not covered under I,II,III &	1248510	1.21
IV)	11206850	10.84
VI. Others		
TOTAL	**103371000**	**100**

FINANCIAL INFORMATION

(For 12 months)

Year Ended	03/31/98	03/31/97	03/31/96	03/31/95
1.Net Sales Per Share (Rs.)	381.85	344.19	270.50	357.65
2.Net Sales to Equity (Rs.)	293.83	319.43	290.72	269.25
3.Cash flow to Equity (Rs.)	21.43	19.72	16.95	15.09
4.Earnings to Equity (Rs.)	18.29	18.62	17.14	15.19
5.Dividends to Equity (Rs.)	4.25	4.64	4.66	4.59
6.Earnings Per Share (Rs.)	23.77	20.06	15.95	20.17
7.Price-Earnings Ratio (Rs.)	11.30	17.87	16.85	17.66
8.Earnings Distributed (Rs.)	23.25	24.92	27.19	30.24
9.Yield (%)	2.05	1.39	1.67	1.82
10.Book Value Per Share (Rs.)	124.16	104.19	91.26	129.84
11.Market Price to Book Value (Rs.)	2.16	3.44	2.94	2.74

PROFIT AND LOSS STATEMENT

(For 12 months ; In million Rs.)

Year Ended	03/31/98	03/31/97	03/31/96	03/31/95
1. Net Sales (Rs.)	39471.22	35036.60	27535.67	20130.38
2. Cost of goods sold (Rs.)	33255.90	29237.97	23831.70	17652.23
3. General Expenses (Rs.)	2425.76	2075.78	1379.90	974.15
4. Gross Profit (Rs.)	6215.32	5798.63	3703.97	2478.15
5. Interest (Rs.)	1228.83	805.06	481.50	112.20
6. Depreciation (Rs.)	992.95	629.61	423.34	336.14
7. Operating Profit/Loss (Rs.)	1567.79	2288.18	1419.23	720.57
8. Non-op. Profit/Deficit (Rs.)	1669.76	995.14	1369.14	1037.36
9. Pre tax profit (Rs.)	3237.55	3283.32	2788.37	1757.93
10.Prov. for Tax (Rs.)	780.00	1240.90	1165.00	622.50
11.Net Profit (Rs.)	2457.55	2042.42	1623.37	1135.43
12.Profit Distribution (Rs.)	571.35	508.99	441.38	343.30
13.Profit Retained (Rs.)	1886.20	1533.43	1181.99	792.13

OTHER FINANCIAL RESULTS

(In Rs. Lakhs ; 10 Lakhs=1 Million)	3 months ending 09/30/98	3 months ending 09/30/97
1. Net Sales *	80528.06	80680.88
2. Other Income	3280.35	3500.53
3. Total Expenditure	81875.64	80101.30
4. Interest	3683.21	3125.07
5. Gross Profit #	8586.32	11291.79
6. Depreciation	2853.20	2291.51
7. Tax Provision	950.00	2100.00
8. Net Profit	4783.12	6900.28
9. Reserves (excluding revaluation reserves)	-	-

Board meeting held on 30.10.98
* Revenue from operations.
# Profits before depreciation and tax provision.

Narrative Descriptions

Overview of Mahindra & Mahindra, Ltd.

Automotive Division of Mahindra & Mahindra Ltd. is in the business of manufacturing and marketing Utility Vehicles, LCVs and services for last 52 years. It is the market leader in this segment enjoying more than 50% of the market share. M&M brand denotes Ruggedness, Durability, Reliability, Easy Maintainability and Operational Economy. The customer profile primarily includes individuals, traders, entrepreneurs, contractors, tour operators, taxi owners, car hire companies, government departments and institutions Army etc.

The continued deregulation & liberalisation of Indian Economy has provided an impetus to rapid growth. India is expected to become a major export base for auto components and aggregates. Global automobile giants are entering the Indian market. Increasing GDP growth rate, multi-motorisation and envisaged higher investment in infrastructure is expected to give further boost to the Indian automobile industry.

The Company is gearing itself to meet these challenges through rapid upgradation and expansion of manufacturing technologies through additional investment. This would be supported by modern, elegant and efficient distribution network with consumer friendly work ethics.

The Automotive Division has utility vehicles manufacturing plants at Kandivli (Mumbai), Igatpuri, Nashik in the State of Maharashtra and LCV assembly plant at Zaheerabad, in the State of Andhra Pradesh, together employing more than 12,000 employees. The productivity (vehicles per person per annum) of the Division has been showing upward trend over last three years. All the divisions of the Company plants are certified ISO9002. We are gearing ourselves for QS 9000

The Division has embarked upon Business Process Re-engineering since 1994 in order to utilise its resources more efficiently and enhance customer service level. The re-engineering of operations was primarily necessitated due to intense domestic competition, entry of global players in the segment and enhanced customer expectations.

The spread of the product is uniformly distributed in North, South and West regions of India and has marginal presence in East. Nearly 70% of the Company's products are sold in semi-urban and rural markets. With models like, the Armada and its planned new versions, the Company plans to cater to the niches in urban

market. The distribution is managed through a network of more than 150 Dealers spread across the Country, which is supported by Company's 18 Area Offices. Apart from this, the vehicles are serviced through 30 Authorised Service Centres and 60 Stockists for meeting the need of genuine spare parts.

The marketing strategy of the Division revolves around rationalising models, delivering value for money, increasing safety features, incorporating fuel efficient engine, improving the quality of after sales service and maintaining low price product image. For high end market, the strategy adopted is to offer products with more comfort level with option of accessories to meet special needs of individuals.

Currently the Export focus is on African, South American, South Asian and Middle East Markets, where the need and use of vehicles is akin to India. The Company has set itself target to export 15% of the output within next three years.

The Division has a separate R&D Centre at Nashik with a team of 147 engineers & 108 support staff. Cross functional and concurrent engineering teams are working on Integrated Design & Manufacturing **(IDAM)** to design a product to suit specific requirements of the customers through quick product development. A sports utility vehicle Scorpio is in the pipeline with all new aggregated and in stated for debut in Auto Expo 2000.

The current role of R & D is to design products that meet all the customer needs as well as the legal requirements in terms of various norms for CMVR, safety & emission. Thus, emphasis is given on designing a product that has a level of quality built into it (through specifications) & which is easy to manufacture. R & D also lends its support during the entire life cycle of a product by associating closely with Service department.

R&D has a Design Center with a state of the art CAD Centre having 60 workstations with specialised analysis software like Adams & Nastran & Hypermesh, Styling software: Alias, PDM software Metaphase & Solid Modeling software, SDRC Ideas, Catia, etc. that are being used for designing & analysing various aggregates going into the vehicle. All designs are validated in Testing Centre having laboratories for Engine Testing, Metrology, Metallurgy, Polymer, Oil & Fuel, Acoustic Testing, Vehicle Testing and Fatigue Testing.

A new Mahindra Research Valley is being developed at a greenfield location at Thane near Mumbai. This is a 120 acre site & investment of Rs. 2,000 million is planned for this facility.

History of Mahindra & Mahindra

- **1947:** October, first batch of seventy five Utility Vehicles (UVs) imported in CKD condition from Willys overland Export Corporation.
- **1949**: Lease of 11071 Sq. yds at Mazagaon from British India Steam navigation. The first Willys Overland Jeep built in India at the Assembly Plant , Mazagaon, Bombay.
- **1954:** Phased manufacture of Vehicles undertaken in collaboration with Kaiser Jeep Corporation and American Motors Corporation.
- **1962 :** Indigenous content of Jeep goes upto 70%. 137 acres of land purchased at Kandivli to centralise manufacturing operations.
- **1965:** FC 150 Petrol Trucks introduced.
- **1967:** Two wheel drive Utility Vehicles introduced. 101" wheel base and Metal Body UVs introduced. Indigenous content goes up by 97%.
- **1969:** Export of vehicles started, export of total 1200 UVs together with spare parts to Yugoslavia. Exports also made to Ceylon, Singapore, Philippines and Indonesia.
- **1970:** Contracts concluded to export of 3304 vehicles, mainly to Yugoslavia and Indonesia.
- **1971:** Separate R&D section set up.
- **1974:** Maximiller campaign launched to conserve fuel. CJ 4A introduced with new transmission and axle ratio. Collaboration agreement with Jeep corporation (subsidiary of AMC, Detroit).
- **1975:** FC 260 Diesel light truck introduced. CJ 500 D Diesel introduced with MD 2350 Diesel Engine.
- **1979:** Government of India approves in principle, the technical collaboration with Peugeot, France for the manufacture of XDP 4.90 Diesel Engine.
- **1981:** Nasik Trucks Assembly Plant formally inaugurated. Peugeot Engine Assembly Plant at Ghatkopar inaugurated. NC 665 DP Mini Truck rolls out from Nasik Assembly Line.
- **1983:** FJ 460 model introduced with 4 speed gear box. Engine plant at Igatpuri was formally inaugurated by Mr. Jean Boillot, President of Automobiles Peugeot of France for the manufacture of 25000 Peugeot and Petrol engines.
- **1985:** New Mahindra Vehicle-MM 540 launched in Bombay. NC 640 DP with 4 speed gear box introduced. Mahindra MM 440 introduced.
- **1986:** CJ 640 DP Vehicle introduced.
- **1987:** MM 540 DP metal Body Wagonette introduced.
- **1988:** M&M signed a Memorandum of Understanding with Hyderabad Allwyn Nissan Limited to form Mahindra Nissan Allwyn Ltd., as its associate company with LCV operations in Andhra Pradesh.
- **1989 :** CJ 340 DP model introduced. M&M and Peugeot announced their tie up for the manufacture of Peugeot 504 pick up truck, BA 10 gear boxes and latest XD 3 diesel engines. M&M acquired automotive pressing unit at Kanhe, from Guest Keen Williams Ltd.

- 1991: Introduction of CJ 500 DI model with MDI 2500 A direct injection diesel engines. M&M bags order to export 10000 CKD kits. Commander range of models: 650 DI, 750 DP/HT were launched with tremendous market response.
- 1993: Mahindra Armada launched. M&M was the only manufacturer to withstand the demand recession, with increasing sales.
- 1995 : Mahindra Nissan Allwyn Ltd. (MNAL) merged with M&M and Zaheerabad LCV operations becoming part of Automotive Sector. FJ series of LCVs were shifted from Nasik to Zaheerabad. Business Process Re-engineering Project initiated in the Division. Igatpuri Engine Plant received ISO 9002 certificate from TUV of Germany. Single Cab/Double Cab project was initiated.
- 1996 : New LCV model Cabking DI 3150 & Mahindra Classic vehicles were launched. New Commander 5 Door Hard Top was introduced. The company was the first automobile manufacturer to get all the engine types approved for the new emission norms effective from 1st April, 96. IDAM (Integrated Design & Manufacturing) set up for designing entirely new vehicle with the help of internationally renowned consultants.
- 1997: Commercial production of Ford Escort commenced at Nasik Plant. License & Technical Assistance Agreement was signed with Mitsubishi Motors Corporation for Manufacture of SL Body at Zaheerabad (Voyager with XD 3 and BA 10). Soft/Hard top versions of CL/MM 550, 8 seater Armada, Commander 650 DI with longer wheel base and MM 540/550 XDB models were introduced. Kandivli and Nasik plants received ISO 9002 certificate from RW-TUV
- 1998 :
  * Die shop Inauguration at Nashik Plant 2-8/8/97.
  * Voyager launched by the Chairman at Zaheerabad Plant on 12/11/97.
  * Complete localisation of Cabking model at Zaheerabad plant.
  * Change over from 3-Speed to 4-Speed Transmission.
  * 400 nos. Army order successfully executed at Kandivli Plant in Mar'98.

News Stories

M&M sales growth powered by utility vehicles

A company update put out by the brokerage firm Natwest Securities analyses Mahindra & Mahindra's impressive 33 per cent year-on-year growth for the 12 months-ended March 1997, with net profit at Rs 209.3 crore. Earnings growth has been due to improvements in tractor and utility vehicle (UV) sales, says Natwest.

Natwest expects Telco and M&M to continue to dominate the UV market, while M&M, TAFE and Punjan Tractors are expected to control a significant part of the tractor market. The report explains that with only nominal capacity additions planned by existing players other than Telco and the new entrants targeting the low volume premium segment M&M would be in a position to rule the UV market.

The update also explains that the success of Telco's Sumo would lead to an erosion of M&M's market share, which could dip from the present 52 per cent to 49 per cent in FY 1998 and further to 48 per cent in FY 1999.

The reports also emphasises that competition in the tractor segment from new entrants is a good two to three years away. New Hollands' entry into this segment, for example, will be very gradual and only in the high HP range (over 55 HP). Bajaj Tempo's launch has also been delayed, while Larsen and Toubro's venture with John Deere is at least three years away.

Explaining a buy recommendation on the stock, Natwest further states that fresh product launches, especially in the LCV segment should boost revenues. A fresh wage agreement could also result in improved productivity, which coupled with the completion of a business process re-engineering programme and lower tax incidence could result in strong earnings growth for M&M. Natwest estimates a PBT of Rs 346.2 crore and net profit of Rs 258.4 crore for 1997-98.

Earnings per share is also slated to increase from the current Rs 21 to Rs 25 next year.

Mahindra Ford car project to go on stream by next year end

CHENNAI, Feb. 18.
The Maraimalai Nagar project of Mahindra Ford, a 50:50 joint venture of Mahindra & Mahindra and Ford Motor Company, will go on stream as scheduled and the first car from the plant will be on the roads by the target date of November 24, 1999, according to Mr. Keith Elliott, Vice President, Manufacturing, Mahindra Ford.

Addressing presspersons at the plant site, Mr. Elliott said the first phase had been completed and they were in the second phase. The installation of equipment from Schuler of Germany for the $17 million press shop had begun. ``We are focussing our attention on bringing out a good quality car which involves world class processes and will be suited to Indian road conditions," he said and added ``With high-end technology and sophisticated manufacturing processes, we can turn out a high quality product." About 30,000 cars are expected to be rolled out of the assembly line in the first year of operation.

Special huge presses for stamping body panels of cars are being erected. ``We are particular about the accuracy of installation of these equipment in the press shop which will ensure a good quality of pressing. Dies worth $22 million will also be imported in the coming months."

Ruling out escalation in the project cost (though there has been a delay by a year), Mr. B. S. Rathor, Vice President, External Affairs, said the outlay on the project remained the same at $500 millions. ``We just started our operations and we are sourcing equipment with our equity," he said and added ``The initial capital was Rs. 160 crores and subsequently we have added another Rs. 220 crores." Besides, negotiations with domestic financial institutions were under way for loans. The project would be implemented in stages and there would not be any difficulty in funding. ``We have ordered all our machinery brand new from reputed manufacturers, " he said.

Replying to a querry about the Indian car market, Mr. Elliott said, ``We see a very good potential in the Indian market" and added ``we are committed to bring out world class quality and world class car." Mr. Rathor said there had been a little bit of slowdown in the pace. ``With economic liberalisation, 6.5-7 per cent annual growth in GDP and very low per capita consumption of people, there is a sizable prospective market. But it all depends on how we go about it in the next four-five years," he said.

The new car had been engineered for India, and this was the first time Ford had designed its product for a specific market, said Mr. Elliot. The plant has a capacity to turn out one lakh vehicles annually but it will take three to four years to reach this capacity. The manufacturing facilities in Chennai are fully flexible in designing. The new car will be a four-door, three box, hatch-back version, he said.

``We started with Fiesta, but it will be a Fiesta-derivative, totally suited for Indian road conditions. It is not important whether we are doing it a few months earlier or later; but it all depends on the products which we bring to the customers so that they can have a brand new product," Mr. Rathor pointed out.

``Our two objectives are quality and customer service. In Escorts, we are concentrating on these two areas and in a short period Ford Escort got the rating of `best quality car' from J. D. Power's India initial quality survey and Mahindra Ford has been rated as number one company in the customer satisfaction survey conducted by J. D. Power," he said.
Besides the press line, the equipment for the body shop are to be installed soon with geometric and non-geometric tooling parts. About 40-45 fixtures will be there in the body shop which is being set up by Lamb Technicon of the U.K. This shop is scheduled to be ready by September/October.

Civil construction of the $40 million paint shop is almost over and the equipment will be installed in the coming months. Durr of Germany will be taking care of the erection of the paint shop which will have seven colours to start with. The set up is capable of changing colours within 48 hours. The company is constructing a waste treatment plant for treating effluents from this shop.

All the 79 vendors, made up of three categories, have been finalised. These are joint ventures of suppliers of Ford worldwide with Indian partners, those with technology transfer from overseas and Indian companies with potential to supply world class products. This is a general set up of all suppliers and the car will have more than 70 per cent local content right from the beginning.

Besides this plant, construction work on two auto ancillary units of Visteon, a division of Ford Motor Company, is going on in the same complex. An auto ancillary park is also coming up near the site where several suppliers are finalising plans to set up their facilities. Overall civil construction is being handled by Larsen & Toubro and the Nagarjuna group. Vinar Systems and Siemens are setting up the conveyor and electrical systems respectively.

ASHOK LEYLAND LTD.

THE COMPANY

- Founded in 1948, Ashok Leyland is one of the leading commercial vehicle manufacturers in India.
- Principal shareholding (51%) by Hinduja Group and IVECO (FIAT Group).
- Six manufacturing locations: Ennore (Tamilnadu), Hosur Plant I & II (Tamilnadu), Hyderabad (Andhra Pradesh), Alwar (Rajasthan) and Bhandara (Maharashtra).
- Employee strength : 13,600

Financial Highlights (1995-96)

- Turnover : Rs.20,097 million (14th largest Indian corporation)
- Export Turnover : Rs. 1,798 million
- Net Profit : Rs.1,131 million
- No. of vehicles sold : 37,399

PRODUCTS

- Trucks from 7.5 tonne GVW to 145 tonne GTW.
- Buses from 28 seaters to 90 seaters. Eight out of ten metro State transport buses in India are from Ashok Leyland.
- India's largest range of special application vehicles. (Fire fighters, Articulated Dump Trucks, Oil Field Trucks, Cemening units etc.)
- Engines for industrial, genset and marine applications.

WORLD-CLASS TECHNOLOGY

- A tradition of technological collaborations with global technology leaders.
- Technology from IVECO for vehicles and engines.

CARGO-WORLD-CLASS TRUCK SERIES

- A world-class truck series for Indian and export markets, setting new standards of customer satisfaction and quality. The Cargo series comprises 7, 9, 14, 16, and 26 tonne GVW trucks.
- World class manufacturing facility at Hosur, built with Rs. 6 billion investments.

MISSION : GLOBAL STANDARDS GLOBAL MARKETS

India's first automobile manufacturer to obtain ISO certification, Ashok Leyland has drawn up a phased Rs. 20 billion expansion plan to modernise and expand its existing facilities, to achieve its corporate mission: Global Standards- Global Markets, by the turn of the century.

Marketing Office:
480 Anna Salai, Nandanam,
Madras 600 035, India
Phone :0091-44-4341536
Fax : 0091-44-4340150

ASHOK LEYLAND LTD.

19, Rajaji Salai, Chennai. 600001

| Directors | Capital Information | Distribution Schedule | Financial Information |
| Profit and Loss Statement | Other Financial Results |

Information from Mumbai Stock Exchange web site.

BOARD OF DIRECTORS

NAME	POST HELD
Mantosh Sondhi	Chairman
R. Borsa	Alt. R. Sorce
S. C. Chawla	Director
P. K. Choksey	Director
A. K. Das	Director
S. M. Datta	Director
Lalita D. Gupte	Director
Dheeraj G. Hinduja	Director
H . Klingele	Director
S. K. Mukerji	Director
F. Sahami	Alt. B. D. Punjabi
R. J. Shahaney	Vice Chairman & Mg. Director
J. Joseph	Dy. Mg. Director
R. Seshasayee	Dy. Mg. Director

CAPITAL INFORMATION

Capital Type	Face Value	Shareholders	Market Lot
Equity	10	85128	50
Listed at	Chen'i ,Mumbai		

17

DISTRIBUTION OF EQUITY SHAREHOLDINGS

Catergory	Shares Held	% of Total
I. Foreign Holdings	74361904	62.53
II. Govt./Govt. sponsored Financial Institutes	30732364	25.84
III. Bodies Corporate **(Not covered under I & II)**	1196810	1.01
IV. Directors & their relatives	5035	0.00
V. Top 50 shareholders (Not covered under I,II,III & IV)	799665	0.67
VI. Others	11833642	9.95
TOTAL	**118929000**	**100**

FINANCIAL INFORMATION

(For 12 months)

Year Ended	03/31/98	03/31/97	03/31/96	03/31/95
1.Net Sales Per Share (Rs.)	169.37	211.58	168.98	127.24
2.Net Sales to Equity (Rs.)	182.65	229.20	193.40	155.37
3.Cash flow to Equity (Rs.)	6.88	11.39	11.56	8.24
4.Earnings to Equity (Rs.)	1.56	10.84	10.88	7.25
5.Dividends to Equity (Rs.)	1.08	5.42	4.58	3.03
6.Earnings Per Share (Rs.)	1.45	10.00	9.51	5.94
7.Price-Earnings Ratio (Rs.)	26.69	9.42	13.41	26.96
8.Earnings Distributed (Rs.)	69.07	49.98	42.07	41.81
9.Yield (%)	2.59	5.31	3.14	2.19
10.Book Value Per Share (Rs.)	92.09	91.58	86.96	81.35
11.Market Price to Book Value (Rs.)	0.42	1.03	1.47	1.97

15

PROFIT AND LOSS STATEMENT

(For 12 months ; In million Rs.)

Year Ended	03/31/98	03/31/97	03/31/96	03/31/95
1. Net Sales (Rs.)	20142.74	25168.00	20097.02	15132.91
2. Cost of goods sold (Rs.)	17665.58	21504.29	17808.78	13434.14
3. General Expenses (Rs.)	941.50	1433.14	834.06	618.20
4. Gross Profit (Rs.)	2477.16	3663.71	2288.24	1698.77
5. Interest (Rs.)	970.58	1369.45	990.46	252.10
6. Depreciation (Rs.)	705.58	655.98	546.05	391.79
7. Operating Profit/Loss (Rs.)	-140.50	205.14	-82.33	436.68
8. Non-op. Profit/Deficit (Rs.)	335.20	1305.73	1418.16	269.19
9. Pre tax profit (Rs.)	194.70	1510.87	1335.83	705.87
10.Prov. for Tax (Rs.)	22.50	321.00	205.00	0.00
11.Net Profit (Rs.)	172.20	1189.87	1130.83	705.87
12.Profit Distribution (Rs.)	118.93	594.65	475.72	295.11
13.Profit Retained (Rs.)	53.27	595.22	655.11	410.76

OTHER FINANCIAL RESULTS

(In Rs. Lakhs ; 10 Lakhs=1 Million)	3 months ending 09/30/98	3 months ending 09/30/97
1. Net Sales *	49084.60	52209.10
2. Other Income	574.10	228.00
3. Total Expenditure	57782.90	60556.70
4. Interest	2203.10	2176.50
5. Gross Profit #	1565.60	1596.80
6. Depreciation	1918.20	1755.30
7. Tax Provision	0.00	0.00
8. Net Profit	-352.60	-158.50
9. Reserves (excluding revaluation reserves)	-	-

* Revenue from operations.
# Profits before depreciation and tax provision.

ASHOK LEYLAND LTD.

Narrative Descriptions: Overview of Company

In 1948, when independent India was one year old, Ashok Leyland was born. We were Ashok Motors then, assembling Austin cars at the first plant, at Ennore near Chennai. In 1950, started assembly of Leyland commercial vehicles and soon local manufacturing under licensed from British Leyland. With British Leyland participation in the equity capital, in 1954, the Company was rechristened Ashok Leyland.

Since then Ashok Leyland has been a major presence in India's commercial vehicle industry. These years have been punctuated by a number of technological innovations which went on to become industry standards. This tradition of technological leadership was achieved through tie-ups with international technology leaders and through vigorous in-house R&D.

Ashok Leyland vehicles have built a reputation for reliability and ruggedness. The 375,000 vehicles we have put on the roads have shared the additional pressure placed on road transportation in independent India. The share of goods movement by road, rose from 12% in 1950 to 60% in 1995. In passenger transportation, the jump is equally dramatic: from 25% to 80%. At 60 million passengers a day, Ashok Leyland buses carry more people than the entire Indian rail network. Including in the populous Indian metros where four out of the five State Transport Undertaking (STU) buses come from Ashok Leyland. Some of them like double decker and vestibuled buses are unique models from Ashok Leyland, tailor-made for high density routes.

In 1987, the overseas holding by LRLIH (Land Rover Leyland International Holdings Limited) was taken over by a joint venture between the Hinduja Group, the Non-Resident Indian transnational group and IVECO Fiat SpA, part of the Fiat Group and Europe's leading truck manufacturer.

Global Standards, Global Markets

The blue print prepared for the future reflected the global ambitions of the Company, captured in four words: Global Standards, Global Markets (Liberalisation and globalisation were not yet in the air). Bouyed by the backing of the two international giants, Ashok Leyland embarked on a major product and process technology upgradation. To world-class standards of technology.

In the journey towards global standards of quality, Ashok Leyland reached a milestone in 1993 when it became the first in India's automobile industry to win the ISO 9002 certification. The more comprehensive ISO 9001 certification come in 1994.

1994 was also the year international technology changed the way India perceived trucks. The year when a new breed of world class trucks - technologically superior and eco-friendly - rolled out on Indian roads. From our state-of-the-art manufacturing Plant at Hosur near Bangalore. They carried the name Cargo. Cargo brought with it a new set of values and an unmatched basket of benefits. Ushering in a change.

Ashok Leyland Cargo is India's New Moving Force.

Over the decades, Ashok Leyland's R&D engineers have been addressing the twin concerns of fuel efficiency and emission. Not surprisingly, when legislation came in 1987 limiting smoke emission, Ashok Leyland vehicles were already meeting them. In 1992, came the more stringent limits for gaseous emissions. By then, Ashok Leyland, through timely technological tie-ups - and ahead of competition - had absorbed and was offering eco-friendly engine technology. Having taken in its stride the 1996 legislation, work is on to meet the exacting requirements of the future.

In 1997, India became one among a handful of countries to tame Compressed Natural Gas (CNG) to power commercial vehicles. Ashok Leyland's CNG-run bus, the first in India, is a non-polluting, eco-friendly sign-post with tremendous promise.

Customer Support

We realise that for the product to retain the values that technology offers, customer needs support. We do it through Customer Care: a comprehensive basket of support systems from financing and technical consultancy to easy-to-access products, service and spares. And training, at the customer's doorsteps. *So that technology can deliver in full.*

Starting with the first unit at Ennore, Ashok Leyland now has six manufacturing plants - the mother unit at Ennore near Chennai supported by a frame unit at Ambattur (also at Chennai), two plants at **Hosur** (Hosur I and the state-of-the-art facility at Hosur II), the assembly plants at Alwar, Bhandara and the castings plant at Hyderabad. The total covered space at these six plants exceed well over 450,000 sq.m and together employ around 14,500 personnel.

Shareholding pattern

- The Company's shares are actively traded in NSE, BSE and MSE. The shares are also listed in CSE, DSE, ASE. The Company's GDRs are listed in London Stock Exchange.
- The equity shares of the Company are now available for dematerialisation and holding in electronic form.
- The Electronic Clearing Service (Credit Clearing) facilities are also available for remittances of equity dividend, debenture interest to the investors by the Company.
- Financial year ends on March 31; Annual General Meeting / Dividend payment end August / Early September every year.

- Total paid-up capital : Rs 1189.294 million
  (consists of the entire equity shares of face value of Rs 10 each).

AUDITORS

M S Krishnaswami & Rajan
Price Waterhouse

COST AUDITOR

Geeyes & Co

BANKERS

American Express Bank
ANZ Grindlays Bank
Andhra Bank
Bank of America
Bank of Baroda
Bank of India
Canara Bank
Central Bank of India
Citibank N A
Honkong and Shanghai Banking Corporation Limited
ICICI Banking Corporation Limited
Indian Overseas Bank
Punjab National Bank
Standard Chartered Bank
State Bank of Bikaner and Jaipur
State Bank of Hyderabad
State Bank of India
State Bank of Travancore

REGISTERED OFFICE

19, Rajaji Salai
Chennai 600 001

Message from CEO

Ladies and Gentlemen:

It gives me great pleasure to welcome you to the Forty Ninth Annual General Meeting of your Company. The Report of the Directors and the Audited Accounts for the year ended 31 March 1998 have been with you for some time and may I, with your permission, take them as read.

Mr Mantosh Sondhi who had been a Director since 1982 and Chairman of the Company from 1985 retired as a Director after the last Annual General Meeting in August 1997. As a widely respected professional of considerable stature and vision, Mr Sondhi has been a source of strength and guidance to our Company all these years. I deem it a privilege to have been appointed Chairman, in his place, and to continue to be associated with the affairs of your Company.

Review of Operations

As you know, during the year under review economic growth declined and market conditions turned adverse. Agricultural output registered a decline of 4 percent. Industrial growth decelerated to 8 percent. GDP growth which peaked to 7.5 percent in 1996-97 slowed down to 5 percent. Political uncertainty deepened and pace of reforms further slackened. Infrastructure projects on which higher economic growth was legislated did not fructify.

With the economic downturn, the road transport sector which was creating new capacity in anticipation of heightened economic activity was adversely affected. As freight offerings slumped and viability levels eroded, truckers postponed purchases triggering a deep slump in the off-take of commercial vehicles. The sale of trucks for the home market, which constitutes the bulk of medium and heavy commercial vehicle sale, fell by 51% in 1997-98 over 1996-97. For once, the resilience of road transport sector was shaken so badly that the decline in sale of commercial vehicles was far steeper than could be related to the slow-down in economic growth.

Given the adverse economic and market conditions, the domestic sale of medium and heavy duty vehicles by your Company declined from 40319 units in 1996-97 to 28,360 in 1997-98. The sale of premium Cargo range of vehicles was also affected. Total vehicle sales (including LCV and for export) declined from 43352 to 31547. Your Company could, however, achieve a higher domestic market share of 32.8% compared to 28% in 1996-97, validating the several product and marketing actions taken by your Company in the recent years. Also notable was the improved export of 2150 vehicles in 1997-98, compared to 1526 in 1996-97. Sale of spare parts was also higher at Rs 252 crores compared to Rs 203 crores in the previous year.

With the drop in volumes, your Company's overall turnover declined from Rs 2482.5 crores to Rs 2014.3 crores. Despite the unprecedented adverse business conditions, the Company could remain profitable albeit at sharply eroded levels. Profit before tax for 1997-98 stood at Rs 20.7 crores compared to Rs 157.0 crores in 1997-98.

Your Directors have recommended a dividend of 10%, maintaining the track record of unbroken dividend performance.

Outlook for 1998-99

The road transport sector, and the commercial vehicle industry in particular, is currently passing through one of the worst recessionary periods ever witnessed. Industry sale of medium and heavy commercial vehicles in the first quarter of 1998-99 declined by a further 39%, compared to the corresponding period of 1997-98, which in itself was a period of lower sale.

There does not appear to be an immediate reprieve to the industry as the economic slow-down is proving to be more severe and sustained than anticipated. The Union Budget 1998-99 has failed to enthuse the industry and investors. Shortfalls in revenue generation, delays in PSU dis-investment and growth of non-plan expenditure are likely to lead to a higher fiscal deficit. Interest rates remain high even as inflation rate has more than doubled over the past one year. In a scenario where several infrastructure projects in the private sector are yet to receive the required governmental clearances and achieve financial closure, the impact of post-nuclear sanctions on the economy can only be hurtful.

On the external front, the slow-down in exports and widening of trade gap have been worrisome. The collapse of East Asian economies and the distinct possibility of a prolonged recession in Japan point to a disconcerting external economic environment. Although the Indian economy has been relatively insulated so far, the steady depreciation of the Indian Rupee and its occasional volatility point to the vulnerability of individual economies in a networked world economic order. A structural readjustment of world economies and currencies with a cascading impact on developing countries must be reckoned as a distinct possibility.

The prolonged political uncertainties have taken a toll on the sentiments governing direct foreign and portfolio investments. A concerted and purposive plan for revival of the economy is essential if the Indian economy has to post robust recovery and growth. Ad-hoc or sectoral policy prescriptions need to be replaced by a general macro-economic formulation to stimulate growth. Substantial investments in infrastructure and supportive measures for industrial and agricultural development would hold the key for economic revival.

Given the uncertain economic outlook, your Company has braced itself to face yet another year of intensely severe market conditions characterised by stagnant sales and pressure on margins. To cope with the challenge, your Company would continue to position a superior product range with wider application profile and back it up with enhanced after-sales and parts support to deliver total value-added transport solutions to its customers.
Your Company has also targeted to secure the utmost efficiencies across the entire spectrum of operations including manufacturing, in-bound and out-bound logistics and material procurement to reduce costs and sustain viability even under difficult market conditions.

With the various steps taken for market share improvement and cost control already paying off, your Company can look forward with confidence to distinctly superior physical and financial performance once the market environment improves hopefully, in the not too distant future!

The Shape of Transport

In the present difficult period, it would be tempting to re-focus only on the immediate and short term and roll over any thoughts for the long term. However, situations such as these must compel the policy makers and industrial managers to look at the structural issues facing the transport sector and develop strategic correctives.

Given the state of underdevelopment in our country, several sectors of social and economic infrastructure compete for scarce resources. However, it is evident that the road network and transport infrastructure suffer from virtual neglect in comparison with the other infrastructure sectors. It is noteworthy that successive business outlook surveys point to road network as the second dominant infrastructural constraint, after power, in the country. While public investments on road transport have been dwindling, private or foreign investments have not been forthcoming either due to lack of attractive policies or on account of the existing formidable legal hurdles. The Governments, Central and State, should review their role in road development in a more proactive framework and commit the needed resources. It would be appropriate to make a bold departure and allocate tax revenues from road transport sector including those from automobile and ancillary industries to road development. A compressed road development plan which is anchored on such recycling of Central and State tax revenues, at least for the next five years, would address to some extent the weaknesses in the road network.

Simultaneously, there is a need to address the quality of vehicles on roads with a view to promote road safety and reduce pollution. Regulations to weed out overaged, gas guzzling and unsafe vehicles at least from major cities and urban centres is urgently called for. The recent order by the Honourable Supreme Court with regard to plying of overaged vehicles in Delhi is a welcome move. It would, no doubt, be politically and socially difficult to rush in legislation to weed out overaged vehicles, however progressive the measure may be. Proactive policies that enhance the user and operator awareness of the benefits of modern transport fleet and a financing infrastructure that mitigates the hardship of vehicle replacement would generate broad based public support for such socially relevant regulations.

The commercial vehicle industry and the Government are moving towards introduction of tighter emission regulations from April 2000 onwards. It is only appropriate that the benefits of these superior environment friendly technologies are made affordable and accessible to the vast population of users operating overaged vehicles. The twin policies of regulation of overaged vehicles and incentivisation of new vehicles would go a long way in this direction. Governments can play a role in this process by liberalising intra-sate and inter-state regulations on resale and registration of vehicles upto 10 years of age to facilitate use of vehicles of different ages in relevant applications. The governments should also encourage retrofitting of vehicles with fuel-efficient and environment friendly engines

by exempting such activities, if carried out by automobile manufacturers or their authorised dealers, from excise duty, sales tax and any other statutory levies.

Long Term Product Direction

Difficult situations such as these do pose difficult dilemmas to the industry as well. You are not unaware that your Company has weathered many a recession in the past and eventually emerged stronger each time. Your Company has never relaxed its policies of technological upgradation even in the face of adverse market conditions. In the mid-eighties your Company despite recessionary trends, invested aggressively in fuel efficient diesel engine technology, which has provided an unsurpassed competitive edge to its products. Your Company's investments in the Nineties for manufacture of a new range of Cargo trucks also reflect a similar commitment to induct world class technologies notwithstanding the vicissitudes of the markets.

Focussing on the passenger sector, your Company is developing a new range of low floor chassis for more convenient urban transportation. Relevant improvements are also being made to the already popular intercity chassis for better ride comfort. Your Company has developed passenger buses which run on CNG as a corporate contribution to eco-friendly transport systems.

In the goods sector, your Company has introduced the RHINO series of high performance trucks in the higher GVW /GTW segment to meet the requirements of special categories of operators and fleet owners. Powered by fuel-efficient engines with a new matching drive line and ergonomic cab, these vehicles would secure your Company's dominant position in long haul, high density goods movement, and provide cost-effective and optimal alternatives to discerning customers.

You will be happy to know that your Company's all-wheel drive vehicle, Stallion is playing a much appreciated role in Indian defence services. Your Company is also supporting the Indian army through Vehicle Factory Jabalpur to assemble and progressively manufacture Stallion vehicles based on transfer of technology from Ashok Leyland.

Directors

As you are aware, Mr J Joseph who had been associated with the Company from 1980 and who had been Deputy Managing Director from March 1993, retired from the services in March 1998. Mr Joseph has rendered valuable contribution to the growth and profitability of your Company, particularly through his management of operations of Ennore. I am happy to mention that his counsel would continue to be available to the Board as a Director.

Over the last two years, your Company has put in place a smooth plan of succession, culminating in the appointment of Mr R Seshasayee as Managing Director of the Company with effect from 1st April 1998. Mr Seshasayee has been with Ashok Leyland from 1976 and has grown through several responsible senior level positions held with aplomb and versatility. I am confident that he would guide the Company through this difficult period successfully with a continued focus on technological excellence and operational efficiency.

Mr G Boschetti, Chief Executive Officer of IVECO has been a Director on the Board since August 1997. Association with IVECO has been singularly responsible for AL taking a decisive lead in product technology through the new Cargo range of trucks. The presence of Mr Boschetti on the Board will be invaluable in the context of competitive pressures that would emerge in future.

The notices and resolutions with regard to the Directors have already been circulated to you and are being placed before you for necessary approvals.

Acknowledgements

I wish to thank the Central and State Governments, the Banks, Financial Institutions and various quasi-governmental and private agencies for supporting your Company in its operations. My special thanks are also due to our customers, the road transport community, dealers and suppliers for their support in these trying times.
I am thankful to our shareholders for their continued trust in the management of the Company. A special word of thanks is due to Hinduja Group and IVECO, who through LRLIH Ltd. are the principal overseas shareholders of your Company, for their encouragement and unstinted support to your management in navigating through this period of difficulty.
The employees have responded, as always with dedication and sacrifice, to the adverse business situation - our sincere thanks to all of them. I am confident that with the continued support from all quarters, your Company would continue to reinforce its standing, despite the current major slowdown in the market place.

Thank you.

Unaudited Financial Results (Provisional) For The Quarter Ended 31.12.98

Date : *February 1,1999* Published from : *Corporate Office*

Rs. Million

	QUARTER ENDED 31.12.98	QUARTER ENDED 31.12.97	NINE MONTHS ENDED 31.12.98	NINE MONTHS ENDED 31.12.97	YEAR ENDED 31.03.98 (AUDITED)
Net Sales/Income from Operations	4,300.54	4,133.36	12,887.31	13,376.65	20,206.24
Total Expenditure	4,054.43	3,928.04	12,137.73	12,730.40	18,659.79
Gross Operating Margin	246.11	205.32	749.58	646.25	1,546.45
Other Income	50.02	46.09	119.09	73.96	271.70
Interest	234.66	265.57	803.72	707.45	905.98
Gross Profit / (Loss)	61.47	(14.16)	64.95	12.76	912.17
Depreciation	192.34	178.24	563.10	529.30	705.58
Profit / (Loss) Before Tax	(130.87)	(192.40)	(498.15)	(516.54)	206.59
Provision for Taxation	--	--	--	--	22.50
Net Profit / (Loss)	(130.87)	(192.40)	(498.15)	(516.54)	184.09
Paid-up Equity Share Capital	1,189.29	1,189.29	1,189.29	1,189.29	1,189.29
Reserves excl. Revaluation Reserve					9,536.28

The impact of slowdown in the Indian economy on Commercial Vehicle sector continues to be severe. Total Industry volume of Commercial Vehicles for the period April-December 1998, is estimated to have declined by over 20% compared to corresponding period previous year. Figures have been regrouped, wherever necessary

The above results were taken on record by the Board of Directors at the meeting held on 30.1.99.

R SESHASAYEE

Place : Chennai

Date : 30.1.99

Managing Director

28

Production and Sales

February 1999

Category	Production	Sales	
		Domestic	Exports
MDV Passengers	811	323	42
MDV Goods	2,210	1,311	155
LCV Goods (< 7.5T GVW)	25	48	12
Special Vehicles (HDV)	310	300	
Total	**3,356**	**1,982**	**209**

January 1999

Category	Production	Sales	
		Domestic	Exports
MDV Passengers	743	397	70
MDV Goods	1,529	1,512	81
LCV Goods (< 7.5T GVW)	5	54	
Special Vehicles (HDV)	261	260	
Total	**2,538**	**2,223**	**151**

December 1998

Category	Production	Sales	
		Domestic	Exports
MDV Passengers	687	765	120
MDV Goods	1,326	1,565	185
LCV Goods (< 7.5T GVW)	1	23	1
Special Vehicles (HDV)	215	300	
Total	**2,229**	**2,653**	**306**

November 1998

Category	Production	Sales	
		Domestic	Exports
MDV Passengers	604	528	37
MDV Goods	887	869	92
LCV Goods (< 7.5T GVW)	26	49	16
Special Vehicles (HDV)	136	54	
Total	**1,653**	**1,500**	**145**

Improved Q2 Caps Ashok Leyland's H1 Loss At Rs.367.28 million

Automobile major and Hinduja Group flagship Ashok Leyland has closed the second quarter of 1998-99 with an improved performance and a small loss of Rs.35.26 million.

With a higher sale of 6,882 vehicles in Q2 (5,199 in Q1), 12,081 vehicles were sold in the current year H1, down from 14,815 in H1 last year. With the Total Industry Volume for Medium and Heavy Duty Vehicles falling steeply by an estimated 42%, Ashok Leyland improved its market share to 37%, up from 29% for the same period last year.

Despite the fall in turnover from Rs.9,243.29 million in H1 last year to Rs.8,586.77 million in current year H1, the Company's gross operating margin has improved from Rs.404.04 million in H1 previous year to Rs.426.75 million in H1 current year. Interest cost, however, is higher at Rs.492.34 million (Rs.404.99 million H1 last year) giving a gross profit of Rs.3.48 million (Rs.26.92 million H1 last year). After providing for depreciation of Rs.370.76 million (Rs.351.06 million H1 last year), loss for H1 of the current year stands at Rs.367.28 million (Rs.324.14 million H1 last year).

A significant feature of the Company's performance in Q2 is that the Company has wiped out the cash loss sustained in Q1 and has posted a marginal cash profit of Rs.3.48 million for H1, despite continuing recession. On an improved turnover of Rs.4,908.46 million in Q2 (Rs.3,678.31 million in Q1), gross operating margin has improved to Rs.319.46 million (Rs.107.29 million in Q1). Interest cost has been reined in, at Rs.220.31 million (Rs.272.03million in Q1).

Besides higher volume, better efficiencies, operating cost controls and material cost reduction through strategic sourcing as well as value engineering have helped improve performance in Q2. Working Capital

reduction has been a major highlight of the Q2's performance. By fine-tuning forecasting and aligning production to demand through reduced working days, the Company has been able to bring down inventories both of materials and finished goods, thus bringing down working capital and interest expenditure.

UNAUDITED FINANCIAL RESULTS (PROVISIONAL)
FOR THE SIX MONTHS ENDED 30.09.98

	QUARTER ENDED 30.09.98	QUARTER ENDED 30.09.97	SIX MONTHS ENDED 30.09.98	SIX MONTHS ENDED 30.09.97	YEAR ENDED 31.03.98 (AUDITED)
Net Sales/Income from Operations	4908.46	5220.91	8586.77	9243.29	20206.24
Total Expenditure	4589.00	4866.36	8160.02	8839.25	18718.12
Gross Operating Margin	319.46	354.55	426.75	404.04	1488.12
Other Income	57.41	22.80	69.07	27.87	271.70
Interest	220.31	217.65	492.34	404.99	847.65
Gross Profit	156.56	159.70	3.48	26.92	912.17
Depreciation	191.82	175.53	370.76	351.06	705.58
Profit / (Loss) Before Tax	(35.26)	(15.83)	(367.28)	(324.14)	206.59
Provision for Taxation	--	--	--	--	22.50
Net Profit / (Loss)	(35.26)	(15.83)	(367.28)	(324.14)	184.09
Paid-up Equity Share Capital	1189.29	1189.29	1189.29	1189.29	1189.29
Reserves excl. Revaluation Reserve				9536.28	

Commercial Vehicle industry continues to suffer from the unprecedented long spell of market slow down. During the first half of the current financial year, total industry volume for medium & heavy duty vehicles segment (which forms the bulk of AL's sales volume) is estimated to have fallen by 42 % over previous year. AL has recorded a drop in sales volume by 18 % during this period corresponding to previous year.

The above results have been taken on record by the Board of Directors at their meeting held on 28.10.98.

Place : Chennai
Date : 28.10.98

R SESHASAYEE
Managing Director

Unaudited Financial Results for the quarter ended 30.6.98

Rs Millions

	Three months ended 30.6.98	Three months ended 30.6.97	Year ended 31.3.98 (Audited)
Net Sales / Income from Operations	3678.31	4022.38	20206.24
Total Expenditure	3571.02	3972.89	18718.12
Gross Operating Margin	107.29	49.49	1488.12
Other Income	11.66	5.07	271.70
Interest	272.03	187.34	847.65
Gross Profit	(153.08)	(132.78)	912.17
Depreciation	178.94	175.53	705.58
Profit Before Tax	(332.02)	(308.31)	206.59
Provision for Taxation	0.00	0.00	22.50
Net Profit	(332.02)	(308.31)	184.09
Paid-up Equity Share Capital	1189.29	1189.29	1189.29
Reserves excl. Revaluation Reserve			9536.28

- Commercial vehicles industry continues to be affected by the economic slow down in the country. The total sales volume of Commercial Vehicle industry during the quarter ended 30th June 1998, is estimated to have declined by about 36% compared to corresponding period previous year. The Company's sale of vehicles during this period declined by 19% compared to previous year.
- The above results have been taken on record by the Board of Directors at their meeting held on 25.07.98.

Place Chennai R Seshasayee
Date 25.07.98 Managing Director

32

Financial Highlights

	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988
SALES VOLUME									*15 Months*	
Vehicles (Nos.)	**31547**	43352	37399	30410	24226	20571	23422	24698	26451	18027
Engines (Nos.)	**7611**	8331	6537	5258	5666	4069	6337	4517	5405	3180
Spare Parts and Others	**2520**	2030	1962	1596	1411	1115	1027	935	730	540
SALES VALUE	**20143**	**24825**	**20097**	**15133**	**11813**	**9544**	**10307**	**9229**	**8616**	**5279**
Profit Before Tax	**207**	1570	1336	706	353	46	269	414	306	206
Profit After Tax	**184**	1249	1131	706	353	46	244	263	231	173
Assets										
Fixed Assets	**9026**	8399	7142	5904	5021	3268	2723	2005	1634	1369
Investments	**485**	583	781	681	523	277	1607	54	26	20
Net Current Assets	**13914**	13679	11284	9000	4463	5686	3435	2426	2092	1345
Financed by										
Shareholders' Funds										
- Capital	**1189**	1189	1189	1189	780	694	315	315	315	214
- Reserves	**9763**	9704	9152	8485	3902	3400	1913	1774	1602	1204
Loan Funds	**12473**	11768	8866	5911	5325	5137	5537	2396	1835	1316
Earnings Per share (Paise)	**154**	1050	951	837	491	79	776	835	805	810
Dividend (%)	**10**	50	40	35	27	12	27	27	31.5	21
Employees (nos.)	**14635**	15274	14545	13616	12596	12307	12338	12329	12021	10728
Outgoings to Government (Excise Duty, Sales Tax and Income Tax)	**4373**	5192	3747	2873	1999	1999	2245	2168	1853	1158

Balance Sheet as at 31 March, 1998

	31.3.1998		31.3.1997
	Rs Millions	Rs. Millions	Rs Millions
SOURCES OF FUNDS			
Shareholders' Funds			
- Capital	1,189.29		1,189.29
- Reserves and Surplus	9,838.96		9,791.53
		11,028.25	10,980.82
Loan Funds			
- Secured Loans	9,407.82		8,851.47
- Unsecured Loans	3,065.62		2,916.13
		12,473.44	11,767.60
TOTAL		23,501.69	22,748.42
APPLICATION OF FUNDS			
Fixed Assets			
- Gross Block	12,510.50		11,882.02
- Less Depreciation	4,462.07		3,809.50
- Net Block	8,048.43		8,072.52
- Capital Work-in-Progress	977.66		326.35
		9,026.09	8,398.87
Investments		484.80	583.08
Current Assets, Loans and Advances			
- Inventories	6,576.04		6,529.24
- Sundry Debtors	9,011.99		10,513.03
- Cash and Bank Balances	25.11		65.53
- Loans and Advances	2,875.71		2,761.44
	18,488.85		19,869.24
Less Current Liabilities and Provisions			
- Liabilities	4,283.74		5,376.27
- Provisions	290.62		813.68
	4,574.36		6,189.95
Net Current Assets		13,914.49	13,679.29
Miscellaneous Expenditure		76.31	87.18
TOTAL		23,501.69	22,748.42

Profit and Loss account
for the year ended 31 March, 1998

	Rs Millions	Rs Millions	31.3.1997 Rs Millions
INCOME			
- Sales	**20,142.74**		24,824.50
- Other Income	**335.20**		259.56
		20,477.94	25,084.06
EXPENDITURE			
- Manufacturing and Other Expenses	**18,595.19**		22,534.47
- Depreciation	**705.58**		655.98
- Financial Expenses / (Income)	**970.58**		323.28
		20,271.35	23,513.73
Profit Before Tax		**206.59**	1,570.33
Provision for Taxation		**22.50**	321.00
Profit After Tax		**184.09**	1,249.33
Balance Profit from last year		**175.39**	275.45
Transfer from / (to)			
- Investment Allowance Reserve		**11.20**	15.00
- Debenture Redemption Reserve		**(416.74)**	(615.02)
		136.74	72.74
- General Reserve		**280.00**	(150.00)
		370.68	829.50
Proposed Dividend		**118.93**	594.65
Tax on Proposed Dividend		**11.89**	59.46
Balance Profit carried to Balance Sheet		**239.86**	175.39

Statement on Accounting Policies, Schedules 2.1 to 2.7 and Notes to the Accounts form part of this Profit and Loss Account.

35

Directors' Report

The Directors present the Annual Report of the Company together with the audited Accounts for the year ended March 31, 1998.

FINANCIAL RESULTS

	1997-98 (Rs. Million)	1996-97 (Rs. Million)
Profit Before Tax	206.59	1570.33
Less: Provision for Taxation	22.50	321.00
	184.09	1249.33
Add: Transfer from		
Investment Allowance Reserve	11.20	15.00
Debenture Redemption Reserve	136.74	72.74
Balance in Profit and Loss Account brought forward from previous year	175.39	257.45
Profit available for appropriation	507.42	1594.52
Appropriation:		
Debenture Redemption Reserve	416.74	615.02
General Reserve	(280.00)	150.00
Proposed Dividend	118.93	594.65
Tax on Proposed Dividend	11.89	59.46
		1419.13
Surplus - Balance in Profit and Loss Account Carried forward to next year	239.86	175.39

DIVIDEND

The Directors recommend a dividend of 10 % (Re 1/- per equity share of Rs 10/-) free of tax, for the year ended March 31, 1998.

SALES

The slowdown in economic activity which started towards the end of 1996 considerably worsened during 1997-98 resulting in a severe downturn of the commercial vehicles market. This situation not only adversely affected sales volumes but also led to erosion of margins on account of higher inventory costs and special credit/ financing schemes to support sales. Under these circumstances, sale of 31547 vehicles (including exports) is considered satisfactory.

It is a matter of concern that even in the new financial year 1998-99, there have been no signs so far, of any improvement in the market condition. Your Company is implementing a comprehensive and integrated action plan to ensure viability at such reduced volumes.

EXPORTS

Exports during 1997-98 at 2150 vehicles was considerably better than in 1996-97 (1526 vehicles).

PRODUCTION

Production during the year was curtailed and aligned to the reduced market off-take resulting in lower capacity utilisation.

PROFITABILITY

Profitability suffered severely on account of volumes being significantly lower, coupled with increase in interest on working capital and also additional manpower costs, arising out of wage settlements. Very tight material cost control and reduction in overheads helped considerably in achieving the final results.

DISPUTE REGARDING CENTRAL SALES TAX

The Company is contesting the demand of Central Sales Tax by the Government of Tamil Nadu on some stock transfers made to the Company's branches and sold to State Transport Undertakings in other States, paying local sales tax. The Supreme Court had granted stay of the demand. The Sales Tax Appellate Tribunal, Tamil Nadu to whom the matter has been remanded by Supreme Court, has held several hearings and the matter is progressing before them.

DEBENTURE SERIES V AND DEBENTURE SERIES VIII

The proceeds of these issues have been fully utilised for normal capital expenditure as well as working capital needs, as specified in the objectives of the issues.

COST AUDIT

As directed by Government of India, the cost accounts pertaining to Motor Vehicles and Diesel Engines for the year ended March 31, 1998 will be audited by the approved Cost Auditor and report will be submitted to the Government.

INDUSTRIAL RELATIONS

Industrial relations during 1997-98 were satisfactory throughout the Company. Three-year wage settlements were signed at Ennore, Housr and Bhandara Units.

RESEARCH AND DEVELOPMENT

The Company incurred an expenditure of Rs 128.57 million towards R & D during the year.

DIRECTORS

Mr. Mantosh Sondhi who had been a Director since 1982 and Chairman of the Company from 1985 retired as a Director after the Annual General Meeting in August 1997. Your Directors wish to place on record their sincere and deep appreciation of his active guidance, professional stewardship and valuable contribution to the Company over these 15 years.

Mr R Borsa of IVECO stepped down from the Board in November 1997 after over 6 years of association with the Company.

Yours Directors wish to record their appreciation of his contribution to the Company over these years.

Mr R J Shahaney who had been at the helm of the Company's affairs as Managing Director for 20 years from July 1978, completed his term of office as Managing Director on 31.05.1998. Your Directors wish to express their unanimous and deep appreciation of his high professional acumen and technical expertise as well as his dynamic leadership which had led the organisation through the growth path for 20 years, helping the Company to reach its current premier position. The Directors are also happy to state that Mr Shahaney will continue to be associated with the Company as Chairman of the Board (having taken over this responsibility from Mr Sondhi in August 1997).

Mr J Joseph who had been associated with the Company from 1980, and who had been Deputy Managing Director from March 1993, retired from the services in March 1998. Your

Directors wish to record their appreciation of his valuable contribution to the Company, and particularly his leadership of the Ennore operations, which have contributed significantly to the profitability of the Company. Mr Joseph continues to be a Director of the Company.
Mr P K Choksey, Mr H Kingele and Mr R Sorce (appointed in the casual vacancy of Mr R Borsa) retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The necessary resolutions are being placed before the members for their approval.
Mr G Boschetti, Chief Executive Officer of IVECO, Mr R J Shahaney, and Mr J Joseph who were appointed as Additional Directors during the year vacate office at the ensuing Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 have been received from members proposing their re-appointment. The necessary resolutions are being placed before the members for their approval.

AUDITORS
M/s M S Krishnaswami & Rajan and M/s Price Waterhouse retire at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received confirmation that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

OTHER INFORMATION
The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the Annexure to this Report.

ACKNOWLEDGEMENT
The Directors wish to express their appreciation of the continued co-operation of the Central and State Governments, Bankers, Financial Institutions, Customers, Dealers and Suppliers and also valuable assistance and advice received from major shareholders LRLIH Ltd., Hinduja Group and IVECO. The Directors also wish to thank all the employees for their contribution, support and co-operation.
On behalf of the Board of Directors
Chennai R J SHAHANEY
June 30, 1998 Chairman

ANNEXURE TO DIRECTORS' REPORT

A. **CONSERVATION OF ENERGY**

The company continues to effect measures for conservation and optimum utilisation of energy through a series of audit programmes and continuous monitoring of processes and manufacturing methods

B. **TECHNOLOGY ABSORPTION**

Research and Development (R & D)

1. **Specific areas in which R & D carried out by the Company:**

- **Enlarging product range**
- **Improvement of product designs to reduce cost of operation and enhance durability**

Apart from the above, systems and processes are being improved towards reaching International Standards.

2. **Benefits derived as a result of the above R & D**

- **Increasing customer acceptance of Company's products**

3. **Future Plan of Action:**

- **To continue work on emission control, improved product safety and better fuel efficiency of vehicles.**

4. **Expenditure on R & D (Rs. Million)**

a. **Capital 41.34**

b. **Revenue (excluding depreciation) 87.23**

Total 128.57

Total R & D Expenditure as % of total turnover 0.62

Technology Absorption, Adaptation and Innovation

- **New Models have been introduced in 14T and 15T GVW range, giving customers wider choice.**
- **Vehicles have been engineered specially to meet requirements of City bus application with low floor entry, rear engine and air suspension.**

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on earnings and outgo of foreign exchange is given in Schedules 1.6 to 1.9 of Notes to the Accounts. The Company's exports in 1998-99 are expected to be better than 1997-98 both in terms of product range and volumes

Narrative Description

Ashok Leyland offers the customer a wide range of Buses, Trucks and Special vehicles. Within the truck segment, Ashok Leyland offers a full line-up of haulage, tractor and tipper vehicles. In fact, Ashok Leyland is the only commercial vehicle manufacturer in India to offer some of these models. In addition to the vehicles, Ashok Leyland also offers Diesel Engines for Industrial and Marine applications, and ferrous castings.

Ashok Leyland is the technology innovator on the Indian roads. Ashok Leyland pioneered the introduction of many new trucking and transportation concepts to the Indian roads. From the introduction of the first multi-axled vehicle to the CNG bus, Ashok Leyland has led the product evolution in the Indian commercial vehicle industry.

With the introduction of Cargo, Ashok Leyland has once again provided the impetus for the next stage of product evolution on the Indian roads.

The spurt in Ashok Leyland's exports in recent years is in line with its mission: **GLOBAL STANDARDS - GLOBAL MARKETS**. The induction of world class manufacturing and vehicle technology recently is opening up new markets for Ashok Leyland. IVECO Cargo trucks are today part of the range of products offered by us.
The Cargo truck models - Cargo 712, 912, 1415 & 1618 - are available, powered by turbo charged engines and meeting Euro 1 norms.
Besides distribution through dealerships, Ashok Leyland exports vehicles in knocked-down condition to Egypt, South Africa and East Africa where these trucks are assembled locally.
Ashok Leyland also offers a wide range of mini and large buses, both in LHD and RHD versions.
With a presence in over 40 countries, exports account for more than 7% of total production.

Exports to countries

Afghanistan	Ghana	Kuwait	Nigeria	Tanzania
Albania	Gautamala	Liberia	Oman	Trinidad
Angola	Guyana	Libya	PNG	UAE
Bahrain	Honduras	Madagascar	Philippines	UK
Bangladesh	Hongkong	Malaysia	Qatar	Uganda
Bhutan	Indonesia	Malawi	Saudi Arabia	Venezuela
Brunei	Iran	Maldives	South Africa	Vietnam
Egypt	Italy	Mauritius	Sri Lanka	Zaire
Ethiopia	Jamaica	Mozambique	Sudan	Zambia
Fiji	Kenya	Nepal	Syria	Zimbabwe

Ashok Leyland Cuts Q3 Net Loss By 32%

Date : *February 1,1999* Published from : *Corporate Office*

Automobile major and Hinduja Group flagship Ashok Leyland has reported a reduced net loss of Rs 130.87 million in the third quarter of the current fiscal year, compared to Rs 192.40 million in the corresponding quarter of the previous year. Sales volume, at 6,359 vehicles, was up marginally, from 6,160 in Q3 previous year. Sales turnover improved to Rs 4,300.54 million, from Rs 4,133.36 million. The Company registered a gross profit of Rs 61.47 million as against a loss of Rs 14.16 million in Q3 previous year. Interest cost was lower at Rs 234.66 million (Rs 265.57 million) while depreciation amounted to Rs 192.34 million (Rs 178.24 million). The net loss has been reduced by 32%.

A comparison of the first nine months of the current and previous fiscal years amplifies this improvement. Though sales volume fell by 12.1%, from 20,978 to 18,440 vehicles, and sales turnover was down from Rs 13,376.65 million to Rs 12,887.31 million, gross profit (cash profit) improved from Rs 12.76 million to Rs 64.95 million and net loss was reduced from Rs 516.54 million to Rs 498.15 million.

Apart from several cost control measures the Company has been pursuing, major contributions to the improved performance have come from lower inventories and tighter working capital management. Whereas sales volume was up 3% in Q3, production was pruned by 30.5% from 7,890 to 5,481 vehicles. For the nine months period, production was reduced by 28.3% from 23,467 to 16,819 vehicles, as against a sale volume drop of 12.1%. Significantly, the gross operating margin has improved from Rs 205.32 million to Rs 246.11 million in Q3. For the nine months period, despite lower volumes, gross operating margin grew from Rs 646.25 million to Rs 749.58 million.

Interest and depreciation for the nine months period stood at Rs 803.72 million and Rs 563.10 million respectively, as against Rs 707.45 million and Rs 529.30 million for corresponding nine months of the previous year.

Other income earned in Q3 amounted to Rs 50.02 million as against Rs 46.09 million last year. On cumulative basis, other income amounted to Rs. 119.09 million for the current nine months as against

Rs 73.96 million last year.

The SMART INVESTOR

Source: Business Standard - 21.9.98

In the first four months of 1998-99, Ashok Leyland's heavy commercial vehicles (HCV) sales have dropped 13 percent to 6,853 vehicles. During the same period its LCV sales have more than halved from 380 vehicles to 161 vehicles.

Last year it had posted sales of Rs 2020.62 crore and a net profit of Rs 18.41 crore in March 1998. The Company's sales have fallen further in the first quarter to Rs 367.83 crore while it posted a loss of Rs 33.2 crore. With no respite expected for the commercial vehicle sector in the near future, the scenario could worsen. All this has seen the scrip plummet to a bottom at Rs 24 from where it has currently recovered to Rs 28.

Though the future still looks hazy, Ashok Leyland could prove a good but at current levels. The more so, as all the negatives have been factored into the share price.

While the company cannot help the current scenario in the industry, it is taking internal measures which will help when things turn. To tackle the recession, it has initiated various cost-cutting measures focussing on three areas - material cost, operational cost and asset-reduction.

The company has pre-paid loans aggregating Rs 25 crore during the current year. During the last financial year it had pre-paid loans aggregating Rs 60 crore with FIs and debt worth about Rs 35 crore with banks. Apart from this efforts are also on to reduce raw material inventory.

The company has also commission management consultants AT Kearney to revamp its supply chain management system. All this is expected to result in savings of about two per cent of expenditure.

Further, Ashok Leyland is making in-roads into the export market. With the help of its Italian collaborator, IVECO, the company has managed to enter markets abroad. Finally, in the domestic market Ashok Leyland, has gained market share in certain segments at the expense of leader TELCO. In the first quarter of 1998-99, its market share in the M&HCV segment increased to 36.46 per cent from 25 percent last year.

42

Ashok Leyland Posts PAT of Rs 184 Million

Market Share Up 4.7%; Ready With Cargo Range Expansion

Date : *June 30,1998* Published from : *Corporate Office*

Automobile major and Hinduja Group flagship Ashok Leyland has ended the year 1997-98 with a Net Profit of Rs.184.09 million despite continuing demand recession and a reduced sales turnover of Rs.20,206.24 million, down by 18.9% from the 1996-97 level of Rs.24,901.44 million. Gross Operating Profits, at Rs.1,488.12 million, has dropped by 36.1% (Rs.2,328.03 million) and Net Profit, by 85.26%, down from Rs.1,249.33 million during 1996-97. The Company has declared a dividend of 10% (50%), keeping its fifty-year-old record intact.

Announcing the results at Chennai, R Seshasayee, Managing Director, said: "The recession in the automobile industry that set in end-1996 continues without redemption, making it the longest – and the severest ever. Poor freight availability and falling freight rates on the one side and higher input costs on the other have jeopardized viability of transport operations with consequent impact on demand for vehicles. **Our strategic decision to focus on the growing passenger segment, w here we are traditionally strong, has helped us withstand the recession and end a difficult year with the highest ever market share of 32.8% in the MDV segment – a gain of 4.7%".**

During the year, Ashok Leyland sold 31,547 vehicles compared to 43,530 in the previous year, a drop of 27.5%. Production of vehicles also dropped by 26.6%. **The new technology Cargo range of trucks bucked the trend with total sales (including Exports) of 4,629 vehicles (4,752).**

The Company concentrated on modernization programmes and incurred a capital expenditure of Rs.1,360 million during 1997-98 (Rs.1,927 million). Interest charges increased from Rs.284.34 million in the previous year to Rs.847.65 million during 1997-98, due largely to higher levels of working capital

requirements. Depreciation was higher by 8% at Rs.705.58 million (Rs.655.98 million). Provision for taxation has come down to Rs.23 million (Rs.321 million). Earnings Per Share is down to Rs.1.55 (Rs.10.50) and Cash Earnings Per Share Rs.7.48 (Rs.16.02), a drop of 53%.

The Company did well in the export front with a volume increase of 40% by selling 2,150 vehicles. Of this, the Cargo volume has nearly doubled to 849 (438 Nos.). **South Africa, East Asia and Egypt have emerged as new growth markets, accessed through the global marketing network of IVECO, the equity and technology partner.**

Spare parts sale has contributed Rs.2,333 million, an increase of 24.4% over the previous year's Rs.1,876 million.

Turning to the current year, Mr Seshasayee predicted "tougher times" for the industry and pointed out that in the first three months of the current financial year, the Total Industry Volume in the MDV sector was less than half compared to the corresponding period last year. **Ashok Leyland will continue with its current strategy of fighting the external situation through aggressive marketing while focussing on the internal task of improving efficiencies and operational viability even at reduced volumes.**

Mr Seshasayee pointed out that the **"market share gains have come from practically all segments and definitely from all the regions".** New product introductions will continue, with **the Cargo 1512 and Cargo 1614 haulage models ready for launch "at the first signs of market recovery".** In the passenger segment, where the Company already has models for every application, the range is being further enhanced with the introduction of two low-floor buses for urban transportation: the Panther and the international class Sitibus.

Mr Seshasayee revealed that a series of Company-wide programmes are expected to yield results in the form of better efficiencies. These would get further boost with Project OSCARS, a study of supply-chain management, initiated by the Company in partnership with AT Kearney, international management consultants. **"I expect a 2% to 2½% improvement in operating costs in one full year through Project OSCARS alone", said**

Mr Seshasayee. Having withstood the worst of recessions, Mr Seshasayee was confident that, when recovery takes place, his Company would "emerge fitter and more efficient and will convert the market share gains into volume".