

# ASHOK LEYLAND LIMITED



*ALL is the second largest commercial vehicle manufacturer in India, with a strong presence in the M&HCV segment.*

## Background

Ashok Leyland Limited (ALL) was born in 1948 as Ashok Motors for assembly of Austin cars. Thereafter the company attracted equity participation from British Leyland in 1955 and the new 'Ashok Leyland' commenced production of commercial vehicles. In 1987, the principal overseas shareholding of the company was taken over by the Hinduja Group along with IVECO, the second largest manufacturer of commercial vehicles in Europe and a fully owned subsidiary of FIAT. IVECO's stake in ALL was bought over by the Hinduja Group in July 2006.

ALL today is the second largest player in the Indian commercial vehicle industry, with an annual capacity of 77,000 vehicles and 87,000 engines. In addition, ALL exports to over 30 countries in Asia, Africa and the Middle East. It has fostered a tradition of technological leadership achieved through a combination of robust in-house R&D and technology tie-ups with international leaders - Hino Motors (Japan) for engines, ZF (Germany) for gearboxes and Dana Corporation (USA) for axles.



ALL was the first automotive manufacturer in India to receive ISO 9002 Certification in 1993, followed by the ISO 9001 Certification and the QS 9000 Certification. More recently, the company became the first automotive company in India to receive the coveted TS 16949 Corporate Certification.

ALL has six manufacturing plants – four in Tamil Nadu (the mother plant at Ennore and three in Hosur), one each in Alwar in Rajasthan and Bhandara in Maharashtra. The company's all-India customer-base is served through a nation-wide sales, service and parts network. It has state-of-the-art driver training centres at Namakkal in Tamil Nadu and Burari near Delhi, which offer comprehensive training programmes for commercial vehicle drivers.

Company	Products	Established	Founder	Distribution	Production plants
Ashok Leyland	Buses, Trucks, Engines, DG Sets	1948	Mr. Raghunandan Saran	Asia, Middle East, Africa	India, UAE, Czech Republic

The Hinduja Group holds the majority stake in the company at 51.78 per cent. The next largest shareholders are the foreign institutional investors and overseas corporate bodies, having 14.64 per cent stake. The share of domestic financial institutions is 13.14 per cent. The rest of the stake is held by the Indian public and non-promoter corporate bodies.

## Products

ALL offers a wide range of buses, trucks, special application vehicles, engines and spare parts. Its product range spans from 7.5 T GVW to 49T GTW in goods transport and from 19 seaters to 80 seaters in passenger transport. It has established a tradition of technological leadership and a strong reputation for product reliability. Many innovations ushered in by the company have become industry norms - air brakes, power steering, rear engine buses to name a few.

Besides trucks and buses, ALL has, over the years, developed a host of special application vehicles, which have taken the place of imported models. The Fire Fighters made by the Company do critical duty at India's international airports. A pioneer in the design of defence vehicles, ALL supplies a host of modern special purpose vehicles to India's



defence sector. This includes Stallion 4x4s, forming the backbone of the Indian Army's logistics operations, now being assembled within the defence sector through a technology transfer agreement. Besides, ALL manufactures engines for industrial, genset and marine applications.

## Financial Analysis

ALL has witnessed strong growth in sales revenues and profit levels over the last few years. Gross sales grew at a CAGR of 15 per cent between 1999-00 and 2005-06, to touch USD 1.3 billion, while the net profit reached USD 73.5 million. This growth





has been aided by the large-scale infrastructure development programme all over the country and economic activity in agriculture and industry, the main freight generating sectors and a growth driver for commercial vehicle sales.

The growth in exports has been much faster than the growth in domestic sales. The company earned USD 101.5 million from exports in the year 2005-06, up from only USD 37 million in 2001.

Return on capital employed has shown a continuous improvement over the years and was 21.2 per cent in 2005-06, reflecting enhanced competitiveness.

### **ALL's contribution in making 'Made in India' Global**

ALL has been on a continuous drive for product and process upgradation to match world-class standards of technology. Its international footprint has mainly been achieved through increasing exports over the years. The company's Falcon buses continue to be well accepted in the Gulf countries – ALL's market share in the bus market of Dubai is 70 per cent. It exported 6,812 vehicles (M&HCV and LCV) in 2005 and was the largest Indian exporter of M&HCV vehicles from India. Through a joint venture with the Government of Sri Lanka, Lanka, ALL sells around 2,000-2,500 vehicles per annum and enjoys 70 per cent market share. It is eyeing volume growth in Sri Lanka as it plans to initiate tie-ups with local finance companies.





ALL has taken several initiatives for internationalisation of its operations. In South Africa, Sharjah, Egypt and Mauritius, it has established parts warehouses supported by service personnel. It also plans to set up a new manufacturing unit in Dubai, for manufacturing buses with an annual production capacity of 2000 buses. It is pursuing joint venture opportunities with leading players in Thailand, Iran, etc.

As part of its new inorganic growth strategy, ALL is set to acquire the truck business unit of the Czech company AVIA, giving it market access to European Union and Eastern Europe. The facility has an annual production capacity of 20,000 vehicles, supported by state-of-the-art paint shop and R&D facilities. The acquisition is deemed to give ALL a modern, international vehicle for its light and medium CV range of trucks for India and other export markets, besides access to design capabilities.

### Factors fuelling ALL's global initiatives

Considerable investments have gone into building a modern infrastructure for R&D and an international

talent pool to exploit it. Exhaustive in-house work was done on the Hino engine platform to develop the H series engine to meet BS 2 and BS 3 emission standards. Work is already on for BS4. Another technology transfer agreement with Hino Motors provides access to their 'J' series higher-power engines, which will enable ALL extend its product range in the high-end, heavy duty segment.

The company's preparedness to offer fully built vehicles in line with emerging market requirements finds expression in a whole new range of modern, high performance vehicles, powered by the J series engine. It has also entered the premium, inter-city bus segment with InterCentury Luxura, featuring

### Global presence

Asia	Middle East	Africa
Afghanistan	Kuwait	Fiji
Bangladesh	Oman	Egypt
Maldives	Qatar	Ghana
Nepal	Bahrain	Mauritius
Sri Lanka	U.A.E	Nigeria
		Seychelles
		South Africa



The company has planned investments of more than USD 120 million in 2007 and 2008 to expand its existing production capacity for vehicles from 77,000 units to 100,000 units.

the international technology from Irizar. These modern vehicles are set to enlarge Ashok Leyland's footprints in global markets.

The company has drawn out a plan to implement global sourcing of select items and implementation of e-sourcing initiatives. It has also entered new areas that go beyond its core business of commercial vehicles. Ashley Design and Engineering Services (ADES) has recently commenced activities in the area of engineering services. ADES has procured orders from overseas OEMs and tier-1 companies for developing, testing and validating vehicular designs and components. Meanwhile, the Auto Components Group (ACG), which facilitates component sourcing from India, has already commenced trading and has targeted a business volume of USD 100 million in three years.

## Future Plans

Going forward, ALL plans to achieve stable growth by significantly ramping up its non-cyclical businesses (spare parts, exports and defence supplies) and increasing their share in total revenues to 35 per cent, from a level of 27 per cent in 2005. In order to boost exports, it plans to enter new markets in Africa, Middle East, Turkey, CIS and ASEAN region, and further strengthen its defence portfolio. Africa and the Middle East markets are expected to be the major drivers of its exports.

### Globalisation at a glance

- *Global footprint established through exports to over 30 countries*
- *Exports of commercial vehicles account for nearly 50 per cent of commercial vehicles exports from India*
- *Largest export market is Sri Lanka where ALL has nearly 70 per cent market share*
- *Set to acquire the truck business unit of Czech company AVIA*
- *Parts warehouses in South Africa, Sharjah, Ghana and Mauritius*

[www.ashokleyland.com](http://www.ashokleyland.com)