

Investor Meet June 2013

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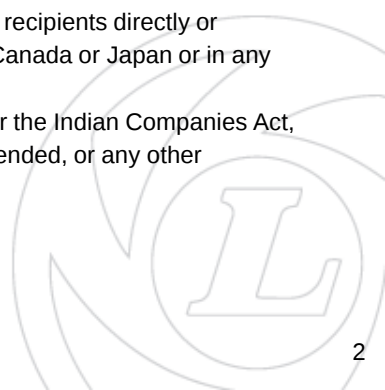
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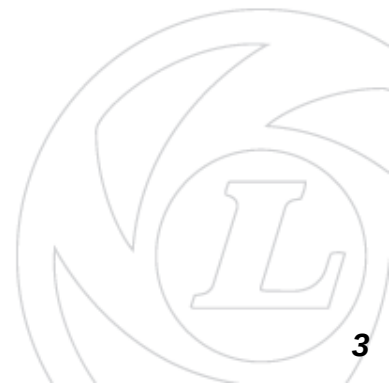
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Presentation outline

- ❖ Overview of Hinduja Group
- ❖ CV Industry Trend and Outlook
- ❖ AL's Performance
- ❖ AL Strategies / Plans
- ❖ Joint Ventures
- ❖ Volumes & Margin outlook



Hinduja Group Overview

Established in 1914 in Mumbai

Active in Over 35 Countries

Present in 8 Business Sectors

Automotive



Oil & Gas



Banking & Finance



Information Technology



Power



Media



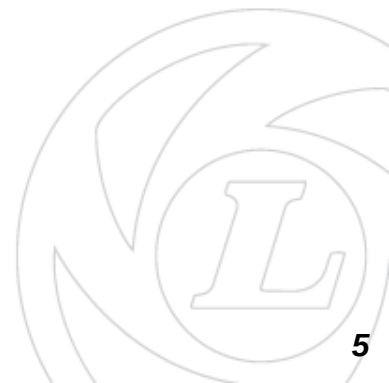
Real Estate



Healthcare



CV Industry Trend and Outlook



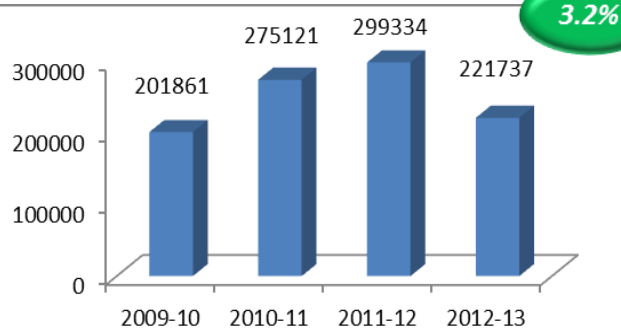
CV Domestic Market Performance – Trucks



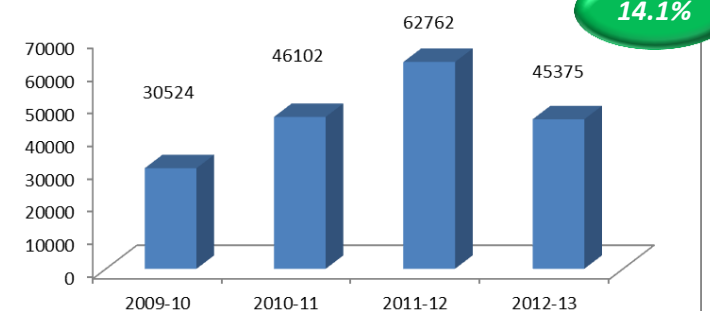
ASHOK LEYLAND



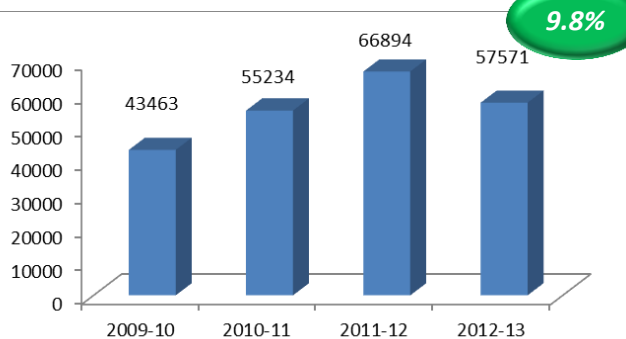
Trucks overall



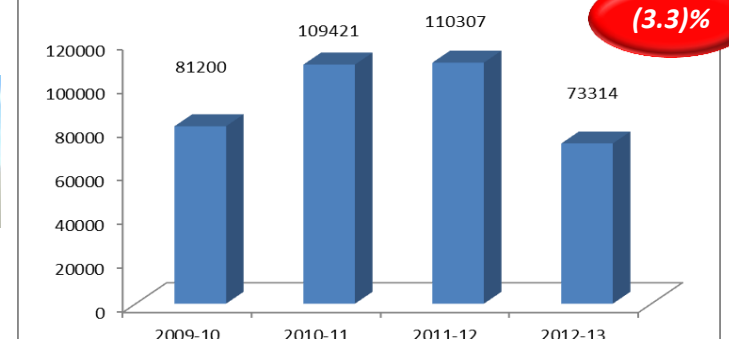
Tipper



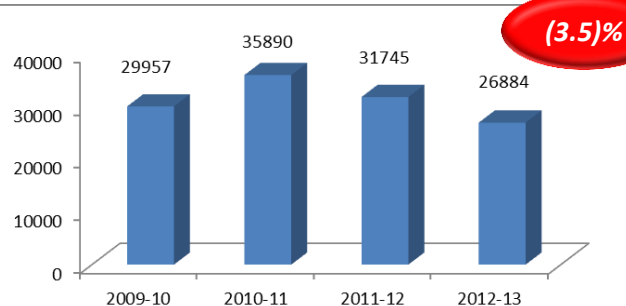
ICV



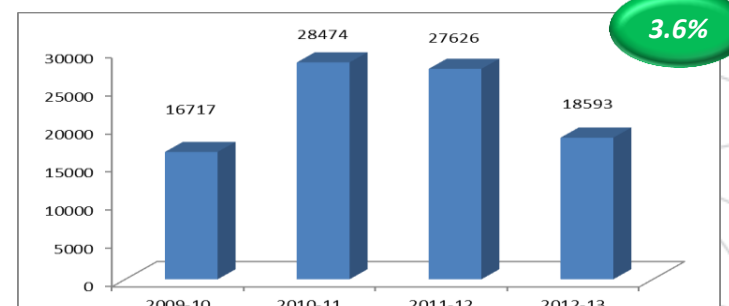
MAV



4x2 Haulage



Tractor

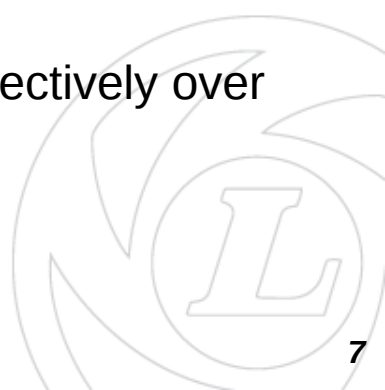


M&HCV, except ICV, trucks registered a marginal CAGR of 1.2% CAGR for the last 3 years. However, ICV segment registered a CAGR of 9.8% for the same period.

CV Domestic Market Performance – Trucks



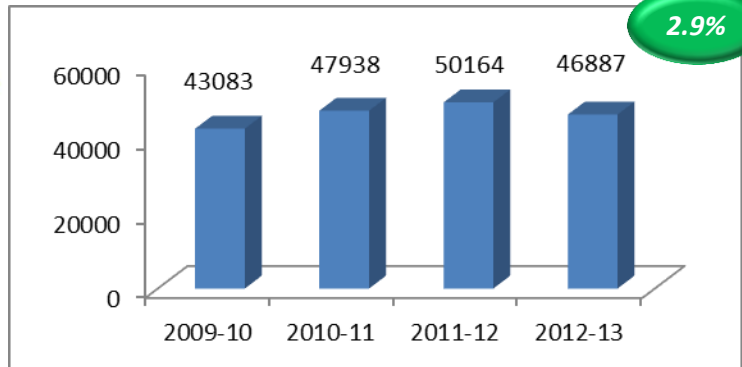
- ❑ FY13 vs FY12 – Truck TIV declined by 26%
- ❑ Decline witnessed across all regions and product segments
- ❑ ICV segment declined by 14%; but registered a CAGR of 10% over three years
- ❑ Tipper & Tractor-trailer segment posted a CAGR of 14% & 4% respectively over three years



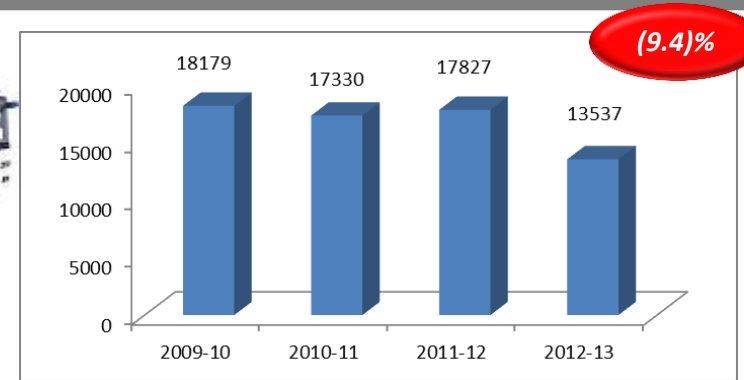
CV Domestic Market Performance – Buses



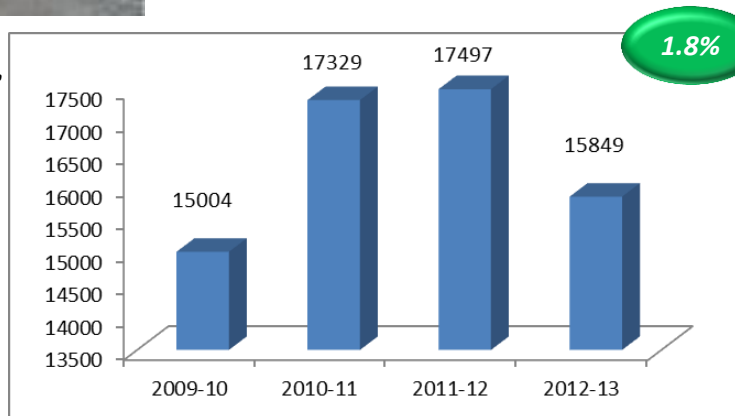
Buses overall



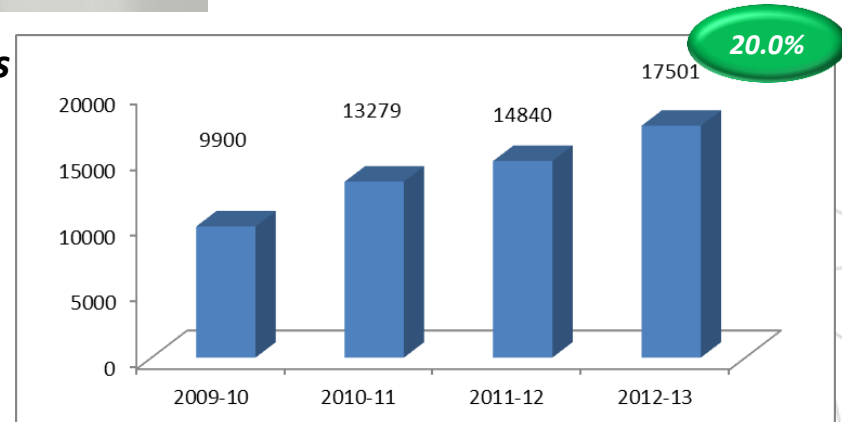
Bus STU



Bus Pvt.



ICV Bus



M&HCV, except ICV, buses posted decline of 4.0% CAGR over the last three years while ICV bus segment registered a growth of 21% in the same period.

Present risk factors in the industry

Few Challenges:

- Protracted slowdown in mining and sluggish Industrial output growth led to decline in HCVs.
- Repayments of loans by fleet owners : Level of over dues on the rise.
- Second hand truck prices witnessed a drop of 25-30%.
- Banks have about 35,000 repossessed trucks/trailers
- Truck rentals fell by 3-7% in FY13; however the same went up in April'13 led by higher rates in transportation of fruits and vegetables.
- Cargo generating sectors like agriculture, engineering goods continue to underperform

Few positives:

- ✓ NHAI projects - 49,260 km total length, 20,468 completed as on 31st March 2013 and the remaining is under implementation; EPC format is being implemented. Plans to build 9,000 kms of roads during FY14 augurs well for M&HCV industry.
- ✓ Banks may lower land acquisition norms for loans to road projects.
- ✓ Delink of forest clearance from environment clearance – should pave way for quick approval of 2,800 km length of road construction currently held up.
- ✓ Possible declining interest rate scenario and no constraint in availability of finance.
- ✓ JNNURM phase II plans to add 10,000 buses.



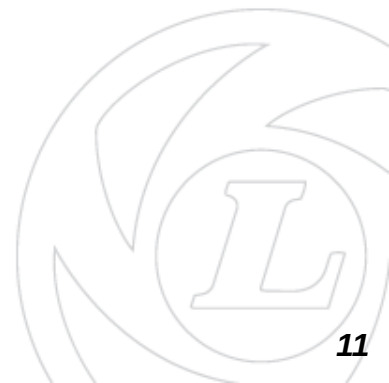
Growth outlook – Domestic TIV

- ❑ CRISIL Research (Feb '13) expects CV growth of 10-12% in FY14 with 7-10% growth in Buses, 5-7% growth in M & HCV Trucks and 13-16% growth in LCV Trucks.
- ❑ ICRA (Research report Mar '13) expects M&HCV volumes to grow by a modest 4-6% in FY14 with Bus segment managing a growth of 12%.
- ❑ However, AL estimate M & HCV TIV to grow by 3-4% in FY14, based on growth prospects in second half.
- ❑ M & HCV Truck TIV likely to grow by 2-3% in FY14 on the back of growth in second half. First half TIV could witness a drop.
- ❑ The second half growth in Trucks will be supported by government spending, lower interest rate and low base in H2FY13.
- ❑ Bus segment expected to post higher growth in second half against the possible decline in first half (JNNURM orders likely in second half).



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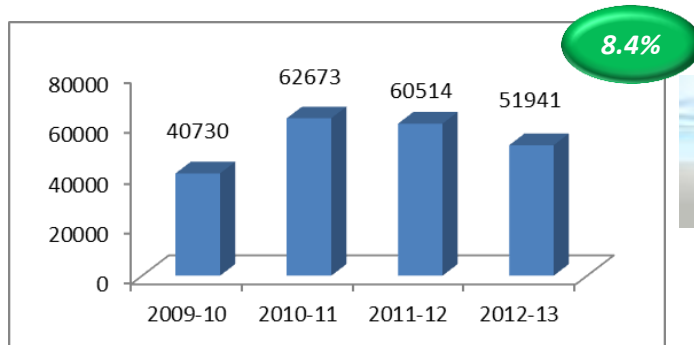
Ashok Leyland's Performance



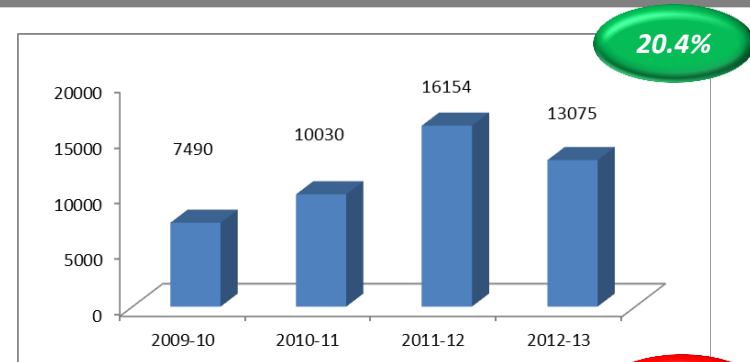
AL Performance – Truck Segment



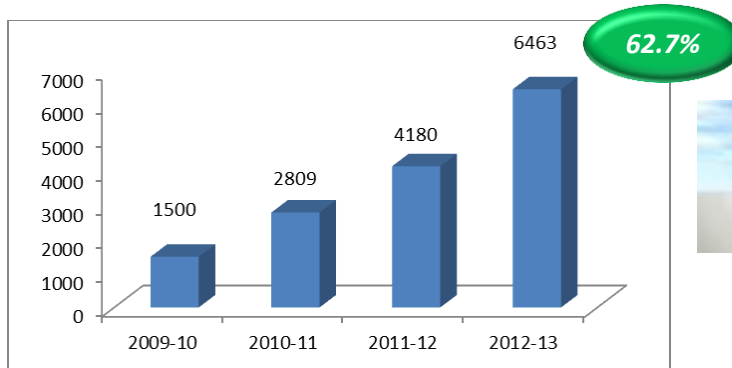
Trucks overall



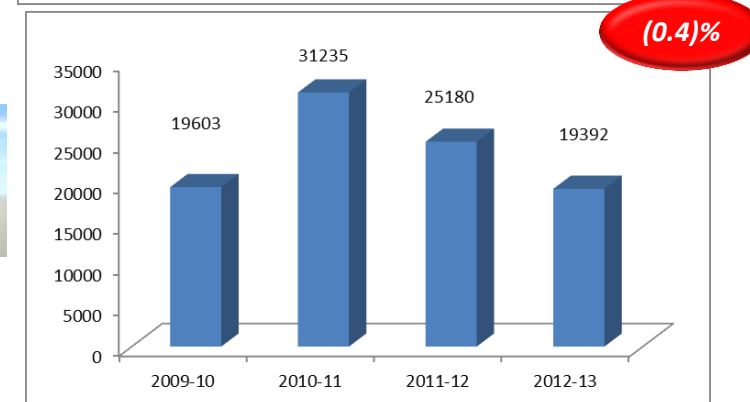
Tipper



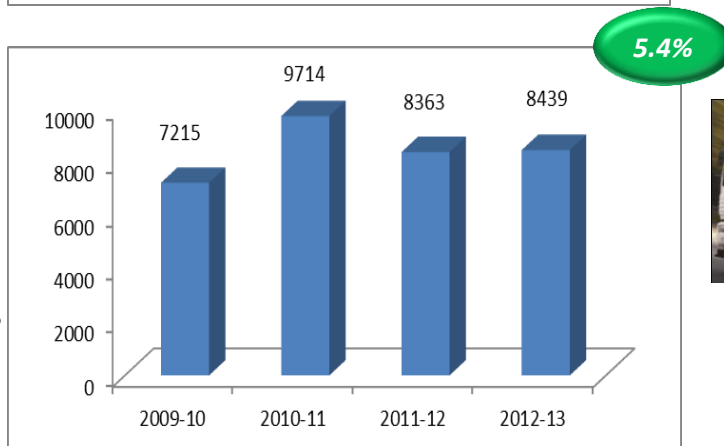
ICV



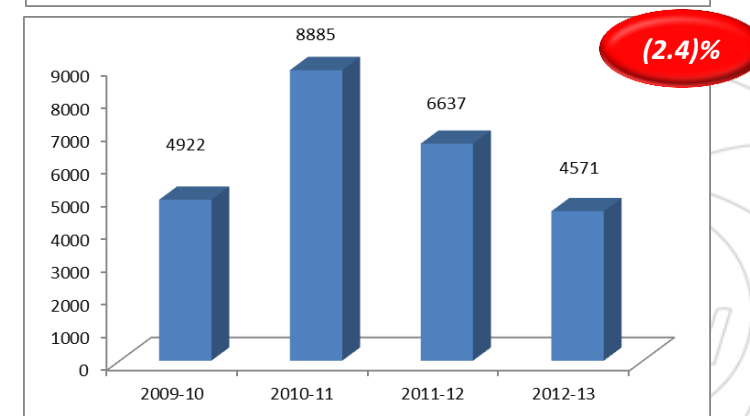
MAV



4x2 Haulage



Tractor



AL's performance – Truck segment

India's first 10X2 with
pusher lift axle



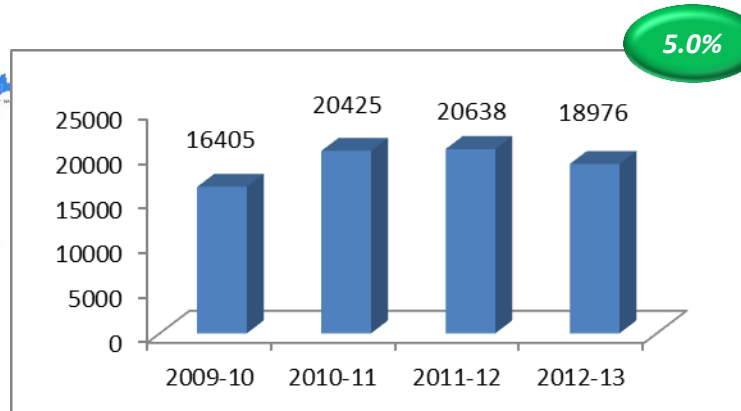
Market Share Trucks				
Segment	2009-10	2010-11	2011-12	2012-13
MDV	24.8%	27.2%	24.2%	27.7%
ICV	3.5%	5.1%	6.2%	11.2%
M & HCV Trucks	20.2%	22.8%	20.2%	23.4%

- ✓ AL outperformed growth in segmented TIV in truck, except in tractor-trailers, over the last four years.
- ✓ Overall market share improved from 20.2% in FY10 to 23.4% in FY13, backed by sharp increase in both M&HCV and ICV market share gains
- ✓ AL's ICV growth has been consistent and registered 63% CAGR for the period FY10-13. Successful product launches with deeper penetration in dealer/service network in northern and western region has helped this growth.
- ✓ In the M&HCV trucks, increase in penetration in non-southern regions led to sharp increase in market share.

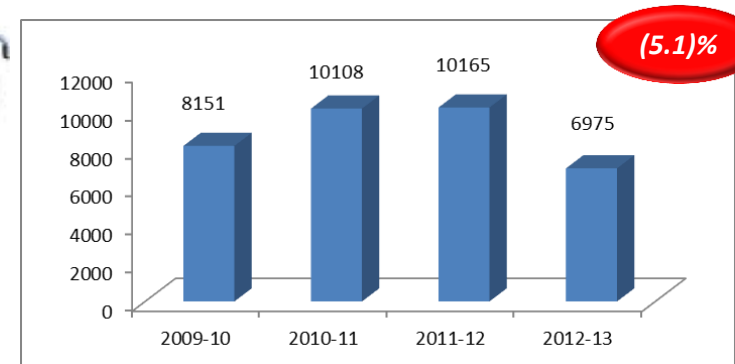
AL's Performance – Bus Segment



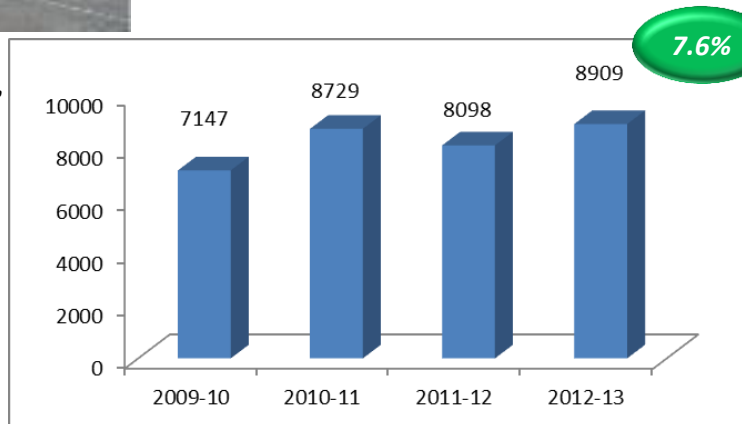
Buses overall



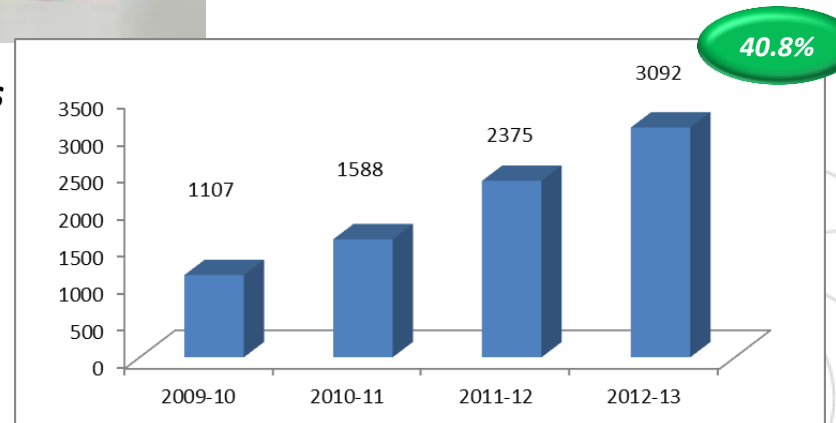
Bus STU



Bus Pvt.



ICV Bus



AL's performance – Bus segment

Market Share Buses	2009-10	2010-11	2011-12	2012-13
MDV	46.1%	54.3%	52.9%	54.0%
ICV	11.2%	12.0%	16.0%	17.7%



- ✓ Registered 5% CAGR for FY10-13 against TIV growth of 3%.
- ✓ Growth primarily driven by ICV segment and private bus segment.
- ✓ Strong growth in private segment and improvement in market share by 240 bps witnessed over the last three years.
- ✓ ICV segment, with deeper penetration pan India, has led to market share increase to 18% in FY13 from 11% in FY10

AL's export performance



- ❑ Exports grew by 14% CAGR for FY10-13

Geographies	Volume in Nos.				
	2009-10	2010-11	2011-12	2012-13	3 yr CAGR
Sri Lanka	1,948	5,503	6,943	2,179	3.8%
Bangladesh	2,303	2,325	2,013	1,828	-7.4%
Middle East	867	1,355	2,188	2,502	42.4%
Others	861	1,123	1,708	2,269	38.1%
Total	5,979	10,306	12,852	8,778	13.7%

- ❑ Overall growth arrested by sharp slowdown in Sri Lanka and Bangladesh. Impact of slowdown in Sri Lanka felt in FY13. Expect slowdown in Sri Lanka to continue in FY14.
- ❑ Consistent growth in Middle East markets.
- ❑ Entered new markets in West/East Africa, Russia , Ukraine & Latin America.
- ❑ Targeting to export 10,000 vehicles in FY14.
- ❑ Share of exports in total vehicle sales to increase to 15% in next 2-3 years.

Power Solution Business (Engine) and Spares parts (Non-cyclical) – continues to grow

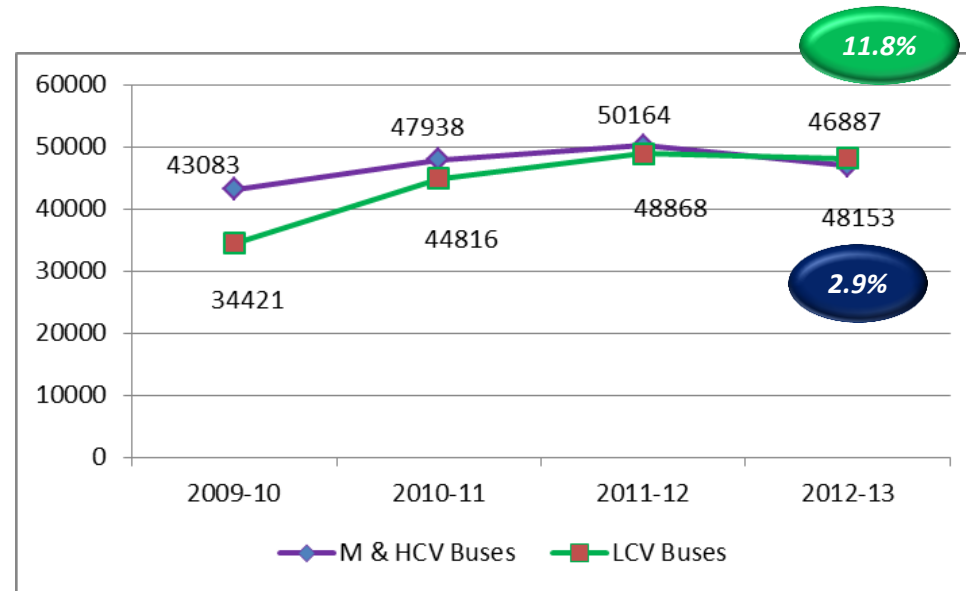
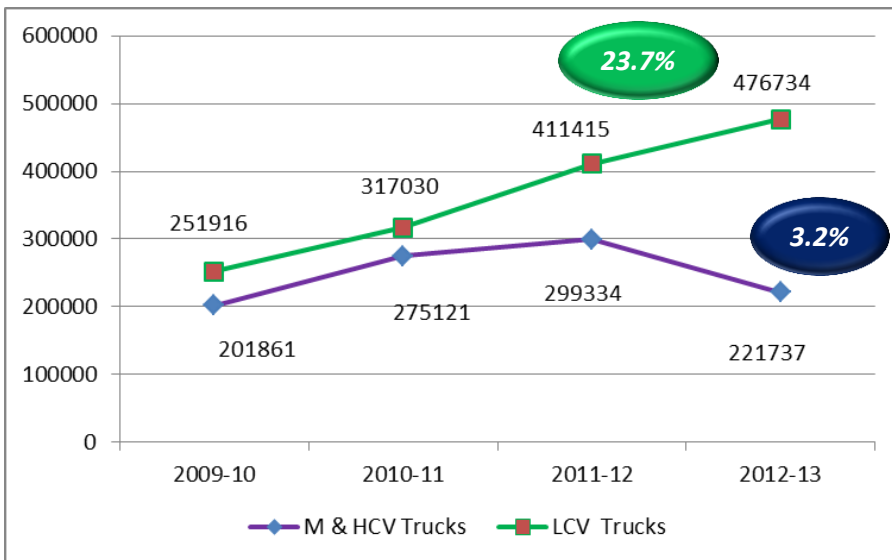


■ PSB volumes grew by 5% CAGR for FY10-13

Segment	2009-10	2010-11	2011-12	2012-13	3 Yr CAGR
Engines (in Nos.)	19050	17377	16170	21757	4.5%
Spare parts (Rs. Cr)	599	644	852	1010	19.0%

- ✓ Growth in PSB was driven by Powerpack and Industrial engines which grew by 61% CAGR and 11% CAGR respectively over the last three years.
- ✓ PSB Revenue increased from Rs. 353 Cr in FY10 to Rs. 431 Cr in FY13.
- ✓ However, Leypower Gensets declined due to slowdown in Telecom sector.
- ✓ Spareparts sales has registered a CAGR of 19% during the last three years.

M & HCV Vs LCV Segment

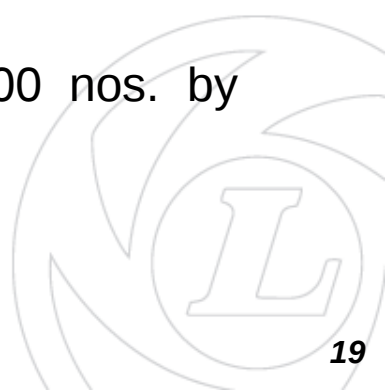


LCV segment has grown (CAGR) by 22% during last 3 years in comparison with 3% growth (CAGR) in M & HCV segment.

DOST – India's 2nd largest CV brand in its segment



- Pick-ups, segment which continues to grow over 70% YoY in FY13.
- Market share at 18.3% as on FY13.
- Currently present in 12 states (TN, AP, Karnataka, Kerala, Rajasthan, Gujarat, Maharashtra, Goa, Chattisgarh, MP and NCR (Haryana)).
- Sales outside Tamil Nadu witnessed an increase to 74% (from 72% last year).
- Total Dealerships as of end March 2013 is 51. However, touch points as on FY13 is 100 nos. (added 34 touch points in Q4FY13).
- Plan to add more dealers and double the touch points to 200 nos. by March'14 with pan India presence.
- Targeting to retain second position in market share.





Financial Performance - FY13 & Q4FY13

Rs. Cr

Particulars	FY13	% to Net Sales	FY12	% to Net Sales	Q4FY13	% to Net Sales	Q3FY13	% to Net Sales
Net Sales / income from ops	12,481	100.0	12,904	100.0	3,729	100.0	2,406	100.0
Consumption of raw mtl's	9,123	73.1	9,462	73.3	2,825	75.8	1,711	71.1
Employee cost	1,076	8.6	1,020	7.9	282	7.6	262	10.9
Other expenditure	1,406	11.3	1,166	9.0	424	11.4	332	13.8
EBITDA	876	7.0	1,256	9.7	198	5.3	102	4.3
Financial expenses	377	3.0	255	2.0	83	2.2	107	4.5
Other income	62	0.5	40	0.3	12	0.3	14	0.6
Exceptional items - gain	290	2.3	2	0.0	134	3.6	156	6.5
PBDT	852	6.8	1,043	8.1	262	7.0	166	6.9
Depreciation	381	3.1	353	2.7	100	2.7	93	3.9
Profit before Tax (PBT)	471	3.8	690	5.3	162	4.3	73	3.0
Tax	37	0.3	124	1.0	11	0.3	(2)	(0.1)
Net Profit	434	3.5	566	4.4	150	4.0	74	3.1

FY'13 vs. FY'12:

- Revenue declined marginally by 3.3% despite 16% drop in volumes. Strong growth in Sunrise LCV, spares and PSB mitigated impact of M&HCV volume drop.
- Dost Trading activity impacted gross margin by 180-200bps but with incremental profits.
- To combat shrinking M&HCV volumes:
 - ✓ Generated cash of Rs. 415 Cr through sale of investments
 - ✓ Reduced the number of working days during Q3 & Q4 FY13 leading to operating cost saving of Rs. 10 Cr
 - ✓ Minimal price increase given to suppliers.
 - ✓ Increased the proportion of PNR production from 31% in FY12 to 38% in FY13
 - ✓ Tighter control on finished vehicle inventory (reduced by 3,000 nos in FY13)

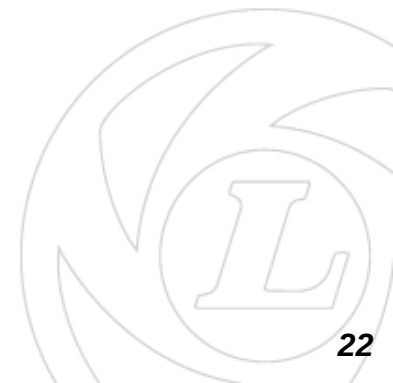


Capex, investments & working capital

- ❑ Capex contained at Rs. 725 Cr (mainly in PNR, R & D, LCV & IT infrastructure)
- ❑ PNR capex mainly towards cab welding press / enhance in-house value addition.
- ❑ Investments of Rs. 862 Cr mainly in HFL, JVs & new initiatives
- ❑ Expecting to incur substantially lower level of Capex and investments going forward.
- ❑ Average working capital during FY '13 Rs. 1800 Cr
- ❑ Vehicle stock as on 31st Mar '13 was 6250 units against 9276 units in Mar '12
- ❑ Target to contain vehicle stock within 6000 nos. by Mar '14
- ❑ Targeting to reduce average working capital by Rs. 500 Cr in FY '14.



Ashok Leyland's Strategies/Plans





ASHOK LEYLAND

A year of several major launches

Jan Bus



Engine platform – Neptune Series



A Truck



LCV LAUNCHES
DOST CNG



PARTNER



STILE



- ✓ Ashok Leyland is the first company in India to receive the On Board Diagnostic II Certification for BS IV compliant vehicle engines for SCR, EGR and CNG technologies
- ✓ Planning to launch NGC truck and F 24 Truck / Bus versions.



ASHOK LEYLAND

Expanding Network & Servicing

Network Expanded by 15%



- Around 450 full service outlets
- 27 new outlets added during FY13
- More presence in the North than in South India

Customer Care: Raising the Bar



The national helpline comes with the promise of



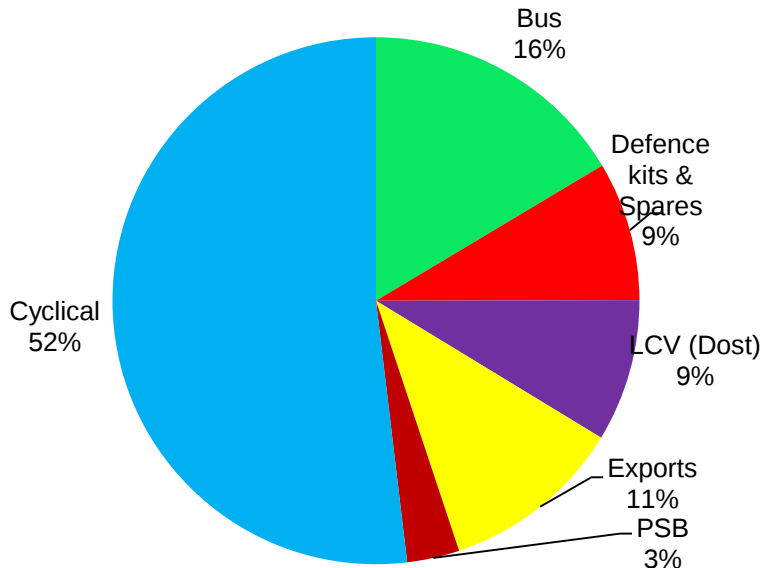
- Response within 4 hours anywhere on the Golden Quadrilateral
- Restoration (vehicle back on road) in 48 hours
- If not restored, Ashok Leyland will pay INR 1000/day of delay

Hinduja Leyland Finance

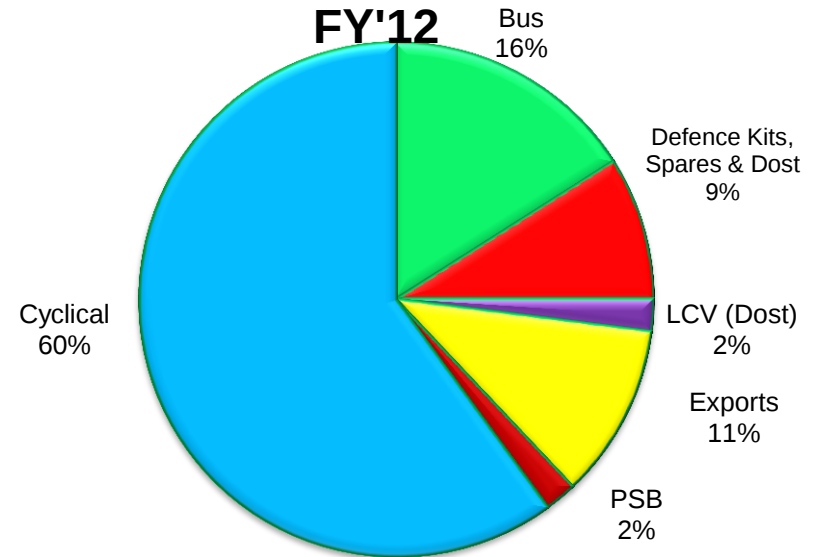
- Operations have spread to 440 locations with manpower strength of 1,200.
- Disbursements of over INR 21,000 Mn in FY13
- 67% of Equity held by Ashok Leyland & associates
- Financed 3,600 Ashok Leyland vehicles in FY13 (About 5.6% of total AL sales).
- Plans to raise equity through private placement
- Target to step-up vehicle finance support for at least 10% of Ashok Leyland's domestic volumes

Augmenting Revenue from Non cyclical business: Segment-wise Revenue split

FY13



FY'12



- ✓ AL's share in non-cyclical business has increased from 40% in FY12 to 48% in FY13
- ✓ Higher revenue from Dost & PSB sales led to improved non-cyclical revenue
- ✓ PSB revenue has gone up by 27% to Rs. 403 Cr primarily driven by higher offtake in industrial engines & powerpacks.
- ✓ Revenue from services also grew by 66% to Rs. 138 Cr due to increase in AMCs during the year.



Optimizing Production

Pantnagar Ramped up to Full Capacity



- Pantnagar produced around 30,000 vehicles
- Full capacity 50k vehicles/year
- Plan to sustain production from this facility in FY14
- Current localization at Uttarakhand (Pantnagar) is 38%; likely to improve in coming months

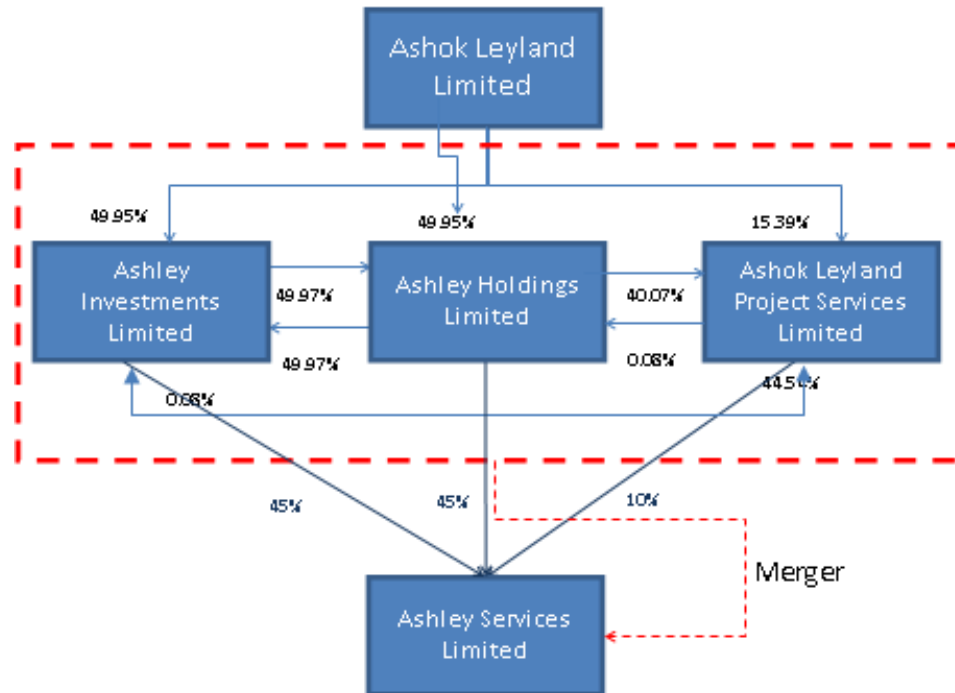
RAK Plant Reached Full Capacity



- Rolling out 4 buses per day
- Feeding the Middle East markets
- A vital manufacturing facility to feed GCC and African markets. (Amount invested INR 390 Mn)
- Part of AL's global Bus and Coach strategy

Restructuring– to pave way for consolidation

Current Structure



- Subject to requisite consent, the three entities namely AIL, AHL and ALPS will be merged with Ashley Services Ltd (ASL). Ashok Leyland will hold 100% in ASL.
- Subsequently, ASL will get merged with Ashok Leyland.
- There is no cash generation or taxation benefit by virtue of this merger.
- Inter-company holdings is at Rs. 968 Cr as on 31st March 2013
- Petition for merger admitted by court in April'13. Targeting to complete merger by mid July'13.



Light truck JV with Nissan

- LCV JV (50:50); Arrangement with JV for manufacturing and Marketing
- First LCV product “DOST” (with five variants) was launched during Jul ‘11. (Payload 1.25 Tonnes)
 - 3 Cyl. 1.5L TDCR engine; meets BS-3 & BS-4 (Euro-3 & Euro-4) Emission standards
- Plan to launch three more variants/models – Dost CNG, Stile & Partner (4T)
- Targeting to maximise production from existing facilities.
- AL investments – Rs.394 Cr as on FY13.
- Plans to invest Rs. 350 Cr over the next few years.



Construction equipment JV with John Deere



- Formed with 50:50 partnership with John Deere
- Backhoe Loader (BHL) “435” launched in Nov’11.
- Launched initially in Southern India; pan India launch happened during FY13.
- AL supplies engines for these equipments.
- Number of BHL vehicle sales for FY13 was 662 units.
- Total Project cost is Rs.200 Cr.
- AL investment in JV in FY13 is Rs. 49.5 Cr.
- Additional investment of Rs. 50 Cr likely in the next few years.

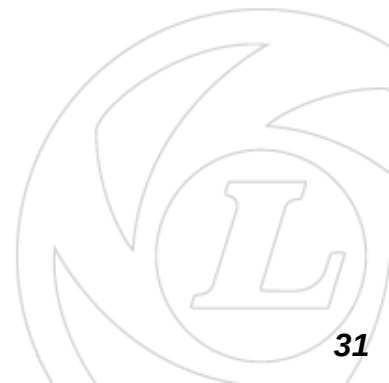


Optare UK



- Acquired controlling stake along with AIL/AHL (75.1%)
- Optare known for its low carbon range, low floor, mid buses and modern range of city buses.
- Optare's electric bus has secured several orders as more countries in Europe promote cleaner, greener mobility.
- Optare has won the prestigious society of Motor Manufacturers and Traders (SMMT) innovation award for 2012 for its EV battery Powered bus, the only full size electric bus operating in UK market. This bus has been designed and engineered at Optare UK facility in Northern Yorkshire.
- Total Investments by AL (with its group companies) at GBP 10.9 Mn.
- Acquisition part of Global Bus and Coach Strategy.

Volumes and Margin outlook





Volume & margin outlook

- Expect domestic M&HCV segment to grow by 3-4% and AL is targeting to grow by 5% in FY14.
- Govt. spending, benign interest rates and low base in H2FY13 to ensure higher growth in H2 FY14 on a yoy basis for the industry.
- LCV (AL Nissan JV) volumes expected to grow in line with TIV growth.
- AL initiated a pricing action of Rs. 18000/- per vehicle (1.5%) in April 2013
- No significant pressures on commodity prices. Targeting to reduce material cost over current levels.
- Targeting reduction in average working capital levels by Rs. 500 Cr.
- Operating margin will be deflated by about 300 bps due to Trading activity of LCV Dost.



Funding plans

Debt position as on FY13

Total debt at Rs. 4,300 Cr

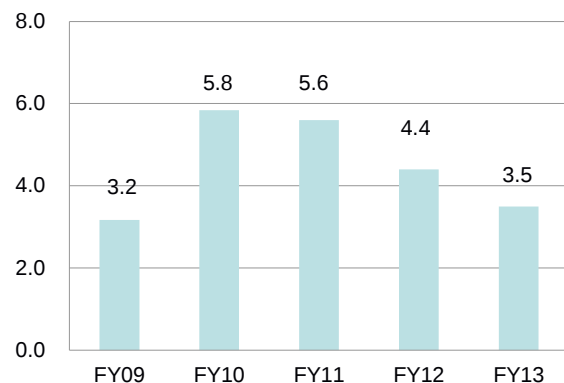
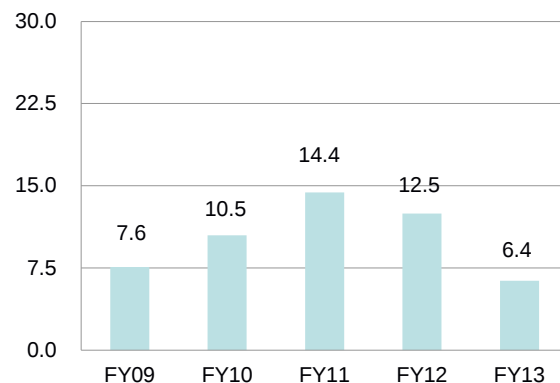
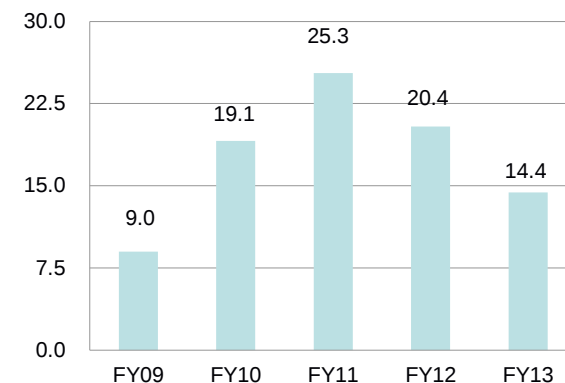
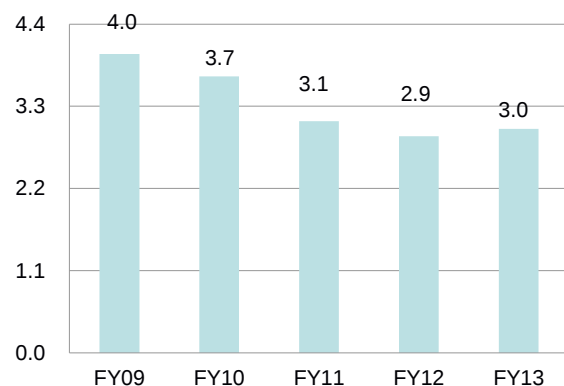
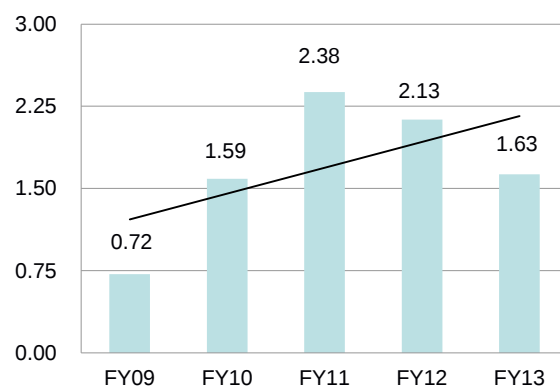
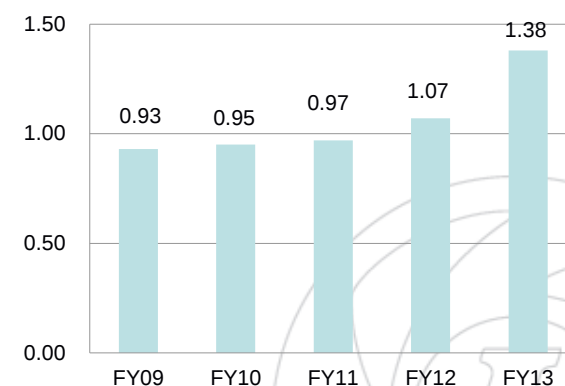
- Includes working capital loan of Rs. 840 Cr
- Long-term loan outstanding at Rs. 3,460 Cr (incl. USD 357 Mn)
- Average cost of Long-term debt around 6.5% p.a
- Debt/Equity at 1.38x

Cash Inflow and Outflow in FY14

- Targeting divestments to yield Rs. 300-500 Cr
- Targeting reduction in total debt by Rs. 500 Cr (mainly in working capital loans).
- Contain Capex and Investments within Rs. 500Cr in FY14 against ~Rs. 1,600 Cr in FY13
 - Capex Rs. 250 Cr in FY14 (mainly PNR, Sunrise, Product development, IT Infrastructure etc.)
 - Investment in JVs Rs.250 Cr(AL Nissan JV, AL John Deere JV, AL UAE & Albonair)
- Targeting to contain Long-term borrowings below Rs. 3500 Cr in FY14 & contain Debt/Equity levels around 1:1.



Key Financial Performance Metrics

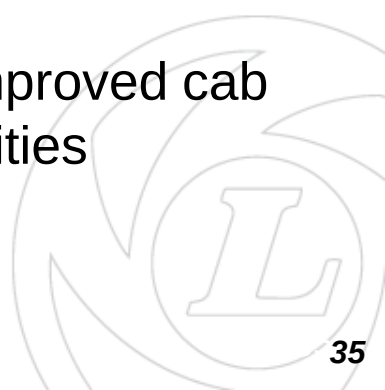
PAT %**ROCE %****ROE %****Dividend Yield %****EPS (INR)****Debt: Equity**

Note
1. FY ending 31 March

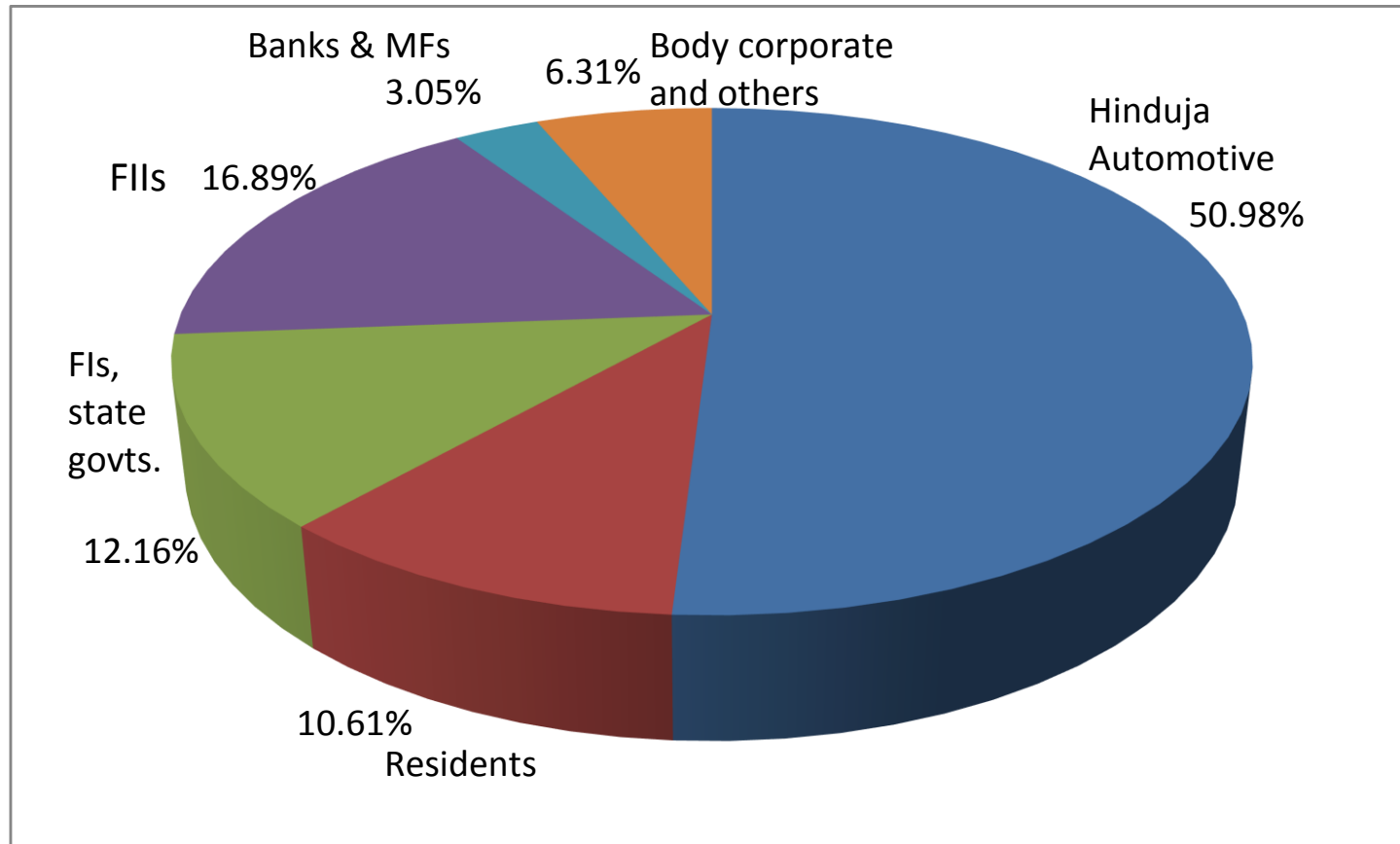


Value Creation - Upside potential

- ❖ Capacity not a constraint; no need for capex to add M&HCV capacity
- ❖ Optimal utilization of available capacity through manufacture of LCVs in existing plant (Hosur) for AL-Nissan JV. Dost well accepted in the market. Three more variants/models are planned for launch.
- ❖ John Deere JV complimenting AL's business in addition to sale of Engines to JV
- ❖ Reduced dependence on cyclical "M&HCV Truck" demand in domestic market
- ❖ Better utilization of Pant Nagar facility; focus on increased localization for improving tax benefits
- ❖ Product offerings with higher HP engines (Neptune) / Improved cab (NGC) / A Truck opens up new export market opportunities



AL shareholding pattern – Mar '13



Thank You

