



ASHOK LEYLAND



ANNUAL REPORT
2010-2011



HINDUJA GROUP

FORWARD-LOOKING STATEMENT

In this Annual Report, we have disclosed forward looking information to enable investors to fully appreciate our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make, contain forward-looking statements that set our anticipated results based on the Management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'project', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot, of course, guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



TABLE OF CONTENTS

02 | Letter to Shareholders

04 | The Big Picture

20 | A Historical Perspective

21 | Directors' Report

49 | CEO/CFO Certification

53 | Auditors' Report to the Members

56 | Balance Sheet

57 | Profit and Loss

58 | Cash Flow Statement

60 | Statement on Significant Accounting Policies

63 | Schedules to the Balance Sheet

72 | Schedules to the Profit and Loss Account

75 | Notes to the Accounts

88 | Balance Sheet Abstract and Company's
General Business Profile



Parmanand Deepchand Hinduja
(1901-1971)
Founder, The Hinduja Group

"My dharma (duty) is to work so that I can give"

GUIDING PRINCIPLES

Work to Give

Word is a Bond

Act Local Think Global

Partnership for Growth

Advance Fearlessly



LETTER TO SHAREHOLDERS

Dear Shareholder,

You will be pleased to note that 2010-11 was another successful year for Ashok Leyland. Taking advantage of a buoyant domestic market and recovering traditional export markets, your Company has set a new watermark by selling 94,106 commercial vehicles, the highest ever in its history, registering an increase of 47% over the previous year.

The domestic commercial vehicle volume grew in 2010-11 by 27% within which Ashok Leyland's present core medium and heavy segment was up by 32%. In the medium and heavy segment, you will be happy to know that your Company has been able to maintain its leadership position in the bus segment and register share increase in every truck segment. The export volume has surged by 72% over the previous year to 10,306 vehicles with footprints in some new markets. The sales turnover has increased to Rs 11,117.71 Crores (+53.5% YOY) and Net Profit to Rs 631.30 Crores (+49% YOY). There have also been significant gains in the Spare Parts, Defence and Power Solutions businesses. On your behalf, I would like to record my appreciation for the creditable performance from the Ashok Leyland team during the year that went by.

Looking in Retrospect

As you are probably aware, your Company is taking strides to realise the Vision of becoming global. In that journey, in addition to the strengthening of the position in the Indian market, last year witnessed some significant developments, which I would like to highlight.

Your Company acquired a 26% controlling stake in Optare plc, U.K. a reputed bus manufacturer with a proven experience in hybrid and electric vehicles. They manufacture a range of urban buses with integral architecture including the iconic Solo midi

bus range. The acquisition will further strengthen the leadership position of your Company in the domestic market and is also expected to open up new frontiers in the developed markets.

In the medium and heavy truck segment, as you are aware, your Company has introduced the versatile future ready - U-truck that will cover the 16-49 Tonne GVW/GCW range and the initial feedback from the market has been very encouraging. Further range extension would follow progressively.

To build on the platform as the largest supplier of logistics vehicles to the Indian Army and leverage on the overseas opportunities in the segment, your Company has promoted a new entity Ashok Leyland Defence Systems. To extend the product line-up to include tactical vehicles and develop other advanced defence systems, an MoU has been signed with the renowned Krauss-Maffei Wegmann (KMW) of Germany.

On the export front, forays have been made into Russia, Ukraine and Mozambique which are new market extensions.

Registering the highest ever R&D spend in a year of Rs 312.62 Crores, your Company has widened the fully built offerings in bus and truck and has undertaken focused efforts across the range to further improve product performance, fuel efficiency and durability, the hallmarks of Ashok Leyland products.

I am also happy to share with you that Hinduja Leyland Finance, which finances vehicle purchase, has grown significantly during the year. Ramping up quickly, in its second year of operations it has disbursed over Rs 1200 Crores, Operating from 420 locations in 20 States with nearly 700 employees, Hinduja Leyland Finance provides solid support to your Company's growth in volumes.

You are aware of the enlarging profile of Ashok Leyland that includes an equal JV with John Deere, U.S.A, for construction equipment, a growing Power Solutions Business, an end-to-end Engineering Services & Business Consultancy and a high technology emissions solutions company based in Germany. Some of these initiatives are aimed at de-risking against cyclicalities in the bus and truck business and some opportunistic.

Looking into the future

Building on the strengths of extending product line-up, growing sales volume and product engineering capability, as the next logical step, your Company has charted out an aggressive plan of volume growth to be among the Global Top 10 players in trucks in the category of 7.5 Tonne GVW and above and Top 5 in buses in the category of 8m and above, within the next 5 years. The well-developed R&D infrastructure now has over 1000 engineering professionals and is still growing. Apart from maintaining the thrust to develop and position conventional products and options to global standards, your Company's R&D has clear road maps for alternate propulsion and advanced engineering activities also.

Contemporary cabins developed in-house and the globally benchmarked, best-in-class Neptune engines for the intermediate, medium and heavy truck range will enable progressive launch of a slew of products that can compete well in the global markets.

In the growing intermediate vehicle range, action is already on hand to renew the current Ecomet models with a major upgrade aimed at both domestic and overseas markets.

Market extensions are being vigorously pursued. Breakthroughs are expected soon in South Africa, Middle East, Russia, CIS, Latin America and some growing markets in the Far East.

To address the evolving trends in freight transportation in the country, your Company's truck range gets further reinforced with the LCV range (3-6 Tonne GVW) through the equal JV with Nissan Motors. I am happy to inform that the first of the series under this co-operation, unveiled as Ashok Leyland *DOST* is planned for launch this year in the 3 Tonne truck category. This would be followed by the 6 Tonne range and subsequently by an award-winning passenger minivan.

2011-12 should also see the launch of the backhoe, first of the construction equipment range from the JV with John Deere.

In parallel to the product-market initiatives, there is emphasis on creating a vibrant organisation commensurate with the challenges ahead. To steer your Company through this crucial period, Mr R Seshasayee has been elevated by the Board to the position of Executive Vice Chairman and Mr Vinod Dasari as the Managing Director. I would like to congratulate them both and wish them every success.

In this context, I wish to record my deepest respect and regard for the invaluable contribution and exemplary professionalism of Mr R J Shahaney who has stepped down as Chairman since the last Annual General Meeting. To recognise his invaluable contribution to your Company over the last 32 years and to continue to benefit from his extensive experience and wisdom, the Board has conferred on him the status of Chairman Emeritus. Please join me in wishing Mr Shahaney good health and happiness in the future.

I gratefully acknowledge the confidence and faith reposed by the shareholders on the Board and the Management team which has, in my view, spurred the Company to take on more challenges. I have great pleasure in announcing that taking into account the performance and prospects, the Board has recommended issuance of bonus shares in the ratio of 1:1. I am aware that you have been waiting for a bonus issue for some time now and I must thank you for your patience.

Finally, I must applaud the tireless efforts, dedication and commitment of our employees who have helped us reach where we are now and look forward to the benefit and comfort of their association in the journey forward. On behalf of your Company, I sincerely appreciate the loyalty and support of the extended family of dealers and countless customers as we re-dedicate ourselves to serve them better.

Looking forward to your continuing support,

Yours sincerely,



Dheeraj G Hinduja
Chairman, Ashok Leyland Limited

Dated : June 16, 2011

THE BIG PICTURE

as on 31 March 2011

NET PROFIT

Rs. **631.3** Crores

TURNOVER

Rs. **11,117.7** Crores

NUMBER OF CUSTOMER TOUCH POINTS

over **360**

NUMBER OF PLANTS

8

NUMBER OF VEHICLES SOLD

94,106

NUMBER OF VEHICLES PRODUCED

95,337



NUMBER OF EMPLOYEES

15,812

EXPANDING OUR GLOBAL FOOTPRINT



AVIA spreads its wings

AVIA Ashok Leyland Motors (AALM) is the Company's beach-head in Europe. Headquartered in Prague, Czech Republic, AALM offers the renowned D-Series trucks that are popular in the European markets of Hungary, U.K., Ireland, Slovakia, Spain and Czech Republic. Highpoints of 2010 were the launch of the AVIA vehicles in the Middle East and expansion into the category of electric vehicles in supplier arrangement with Smith Electric, U.S.A.



The African Sojourn

The Company is proud to be a participant in the Bus Rapid Transport (BRT) system in Lagos, Nigeria. This innovative transport model is first-of-its-kind in Sub-Saharan Africa and it aims at providing better comfort to the commuting public.



Making inroads into CIS

The Company has trained its focus on the CIS countries and more particularly on Ukraine, a market which highly values the hallmark of Ashok Leyland vehicles - reliability and ruggedness. Ashok Leyland has already established a strong network with reliable local partners.



Maintaining market leadership in Sri Lanka

As the Sri Lankan economy revived with the cessation of hostilities, demand for the Company's vehicles has also risen. Lanka Ashok Leyland, a venture with the Government of Sri Lanka, has consolidated its market leadership in the medium and heavy duty vehicle segments.

