

Annual Report

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Engineering
your Tomorrows



Ashok Leyland Limited

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Engineering	By harnessing the power of technology and teamwork, we make our products better.
Your	Better in terms of safety, comfort, economy and ecology.
Tomorrows	For, we believe that the purpose of technology is to enhance the quality of life. Today and tomorrow.
	By satisfying the customer through appropriate and better technology options, we are able to forge abiding relationships with our stakeholders - our customers, business associates, shareholders and our employees. And make these relationships rewarding.
	We also bridge distances - we help move people and products. Aiding life and life style changes.
	We are engineering your tomorrows.



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Board of Directors	R J Shahaney, <i>Chairman</i>
	G Boschetti
	S C Chawla (<i>Alternate: B D Punjabi</i>)
	P K Choksey
	A K Das
	D G Hinduja
	J Joseph
	H Klingele
	S K Mukerji (<i>Nominee of LIC</i>)
	F Sahami
	R Sorce (<i>Alternate: M Lecomte</i>)
	M J Subbaiah (<i>Nominee of ICICI</i>)
	R Seshasayee, <i>Managing Director</i>
Executive Directors	R Jagannath, <i>Wholtime Director</i>
	J N Amrolia
	T Anantha Narayanan
	K K S Bhalla
	A S Mundkur
	S Nagarajan
	M Natraj
	A J Sandil
	N Sundararajan
	M S Krishnaswami & Rajan
	Price Waterhouse
	Geeyes & Co.
	American Express Bank
Secretary	
Auditors	
Cost Auditor	
Bankers	ANZ Grindlays Bank
	Andhra Bank
	Bank of America
	Bank of Baroda
	Bank of India
	Canara Bank
	Central Bank of India
	Citibank N.A.
	Hongkong & Shanghai Banking Corporation Ltd
	ICICI Banking Corporation Ltd
	Indian Overseas Bank
	Punjab National Bank
	Standard Chartered Bank
	State Bank of Bikaner & Jaipur
	State Bank of Hyderabad
	State Bank of India
	State Bank of Travancore
Registered Office	19, Rajaji Salai, Chennai 600 001
Plants	Chennai
	Hosur, Tamil Nadu
	Bhandara, Maharashtra
	Alwar, Rajasthan
	Hyderabad

Highlights of Performance

Rs. Millions

	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
Sales Volume										
Vehicles (nos.)	37859	29741	31547	43352	37399	30410	24226	20571	23422	24698
Engines (nos.)	6004	7185	7611	8331	6537	5258	5666	4069	6337	4517
Spare Parts and Others	2145	2145	2520	2030	1962	1596	1411	1115	1027	935
Sales Value	25987	20451	20143	24825	20097	15133	11813	9544	10307	9229
Profit Before Tax	933	233	207	1570	1336	706	353	46	269	414
Profit After Tax	785	204	184	1249	1131	706	353	46	244	263
Assets										
Fixed Assets	9458	9547	9026	8399	7142	5904	5021	3268	2723	2005
Investments	1204	625	485	583	781	681	523	277	1607	54
Net Current Assets	10329	10491	13914	13679	11284	9000	4463	5686	3435	2426
	20991	20663	23425	22661	19207	15585	10007	9231	7765	4485
Financed by										
Shareholders' Funds - Capital	1189	1189	1189	1189	1189	1189	780	694	315	315
- Reserves	10145	9852	9763	9704	9152	8485	3902	3400	1913	1774
Loan Funds	9657	9622	12473	11768	8866	5911	5325	5137	5537	2396
	20991	20663	23425	22661	19207	15585	10007	9231	7765	4485
Earnings per Share (paise)	660	171	154	1050	951	837	491	79	776	835
Dividend (%)	35	10	10	50	40	35	27	12	27	27
Employees (nos.)	14056	14254	14635	15274	14545	13616	12596	12307	12338	12329

Directors' Report

The Directors present the Annual Report of the Company together with the audited Accounts for the year ended March 31, 2000.

Financial Results

	1999-2000 (Rs. Million)	1998-99 (Rs. Million)
Profit Before Tax	932.86	233.18
Less : Provision for Taxation	148.00	29.50
	784.86	203.68
Add : Transfer from/(to):		
Investment Allowance Reserve	18.70	22.12
Debenture Redemption Reserve	790.42	(372.82)
Balance in Profit and Loss Account		
Brought forward from previous year	210.83	239.86
General Reserve	(700.00)	250.00
Profit available for appropriation	1104.81	342.84
Appropriation :		
Proposed Dividend	416.25	118.93
Tax on Proposed Dividend	45.79	13.08
Surplus - Balance in Profit and Loss Account		
Carried forward to next year	642.77	210.83

Dividend

The Directors recommend a dividend of 35% (Rs.3.50/- per equity share of Rs.10/-) free of tax, for the year ended March 31, 2000.

better product performance, customer-oriented schemes etc., helped the Company to achieve satisfactory results.

Sales

From mid 1999, the Indian economy has shown signs of revival from the general recession of the previous two years. Correspondingly, the Commercial Vehicle Industry also showed positive developments both in terms of freight rate as well as demand for new vehicles.

Though this was not up to the desired volume levels, the turnaround augured well for the industry as well as for your Company.

The total industry sales (domestic) of medium/heavy duty commercial vehicles during 1999-2000 increased by 34% over the previous year. Your Company's total sales showed a growth of 27.3% during the same period. Improved market coverage,

Exports

The Company's exports during this year were steady at 2188 vehicles, marginally higher than 1998-99 volume.

Production

Company's production adequately supported market requirements. The major focus was on inventory reduction, process improvements and cost reduction.

Profitability

The improvement in volumes resulted in better profit compared to the previous year. Sizeable contribution to profitability was also achieved through better Supply Chain Management, process improvements leading to operating cost savings etc.

Dispute Regarding Central Sales Tax

In respect of dispute in sales tax payable, the Government of Tamil Nadu had filed an appeal before the Supreme Court against the order of the Sales Tax Appellate Tribunal. The Company has also moved the Supreme Court appealing against certain aspects of the Tribunal Order. The Stay granted by the Supreme Court continues to be in force. In the opinion of the Directors, a long-term solution would only emerge through constitution of a forum by the Central Government for resolving such inter-state jurisdictional dispute.

Year 2000 Issue (Y2K)

Your Directors are pleased to report that the Company had successfully planned for and managed the Y2K transition. There was no disruption to any of the Company's activities or information systems.

Debenture Series VIII

The proceeds of Debenture Series VIII issue have been fully utilised for normal capital expenditure as well for working capital needs, as per the objectives of the issue.

Industrial Relations

Industrial relations during 1999-2000 were quite satisfactory. The employees, the Unions and the Management had worked well together to achieve several improvements and better results in various areas.

Research and Development

The progress made on R&D, and the other related details are furnished in Annexure I to this report.

Directors' Report

Part- II Corporate Matters

Directors

Mr. D.G. Hinduja, Mr.H. Klingele, Mr. S.K. Mukerji and Mr. R. Sorce 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.

Corporate Governance

Annexure II to this report indicates the level of your Company's conformity as on date to the SEBI guidelines issued recently which are to be complied with not later than March 31,2001.

C N G Buses

Your Company has pioneered in India buses using CNG (Compressed Natural Gas) as fuel in place of Diesel. These buses have been running successfully in Mumbai and Delhi. Following the recent orders of the Supreme Court, your Company expects a demand for vehicles with such CNG technology to go up in the coming years.

Emission Standards

Your Company has always pursued technological leadership including in emission/pollution control. Your Company's entire range of products are compliant with India 2000 norms. Adequate arrangements and tie-ups are already in place to obtain technical know-how as well as operational improvements to achieve compliance with Euro-2 norms well in time before these are mandated by Government of India.

Your Company has also initiated action to be well prepared for the next higher standard of emission control.

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 I 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 the 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 continued co-operation through the year.

On behalf of the Board of Directors

Chennai
April 21, 2000

R J SHAHANEY
Chairman

Annexure I to Directors' Report

(A) Conservation of Energy

Energy conservation cells continue to be active in all the units of the company. A computerised energy monitoring system has been put in place in Hosur Plant I as a pilot installation.

CII, Southern Region, has identified Ennore Plant as a "Model Energy Efficient Unit". An external agency authorised by the Tamil Nadu Electricity Board has conducted an energy audit at the plant at Ennore.

(B) Technology Absorption

Research and Development (R&D)

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

- Up-gradation of all the 3 engine families used in medium duty vehicles to meet Bharat Stage-1 emission norms.
- Optimisation and homologation of engines to meet Bharat Stage-2 emission norms.
- Improving reliability and durability and reducing cost of ownership of commercial vehicles.

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

- Better customer satisfaction and contribution to cleaner environment.

3. Future Plan of Action :

- Further development to meet future emission norms.
- Up-gradation of vehicles to give greater economy, comfort and safety to the user.

4. Expenditure on R & D :

	(Rs. Million)
(a) Capital	60.87
(b) Revenue	170.98
(excluding depreciation)	
Total	231.85
Total R & D Expenditure as % of total turnover	0.89

Technology Absorption, Adaptation and Innovation

- The Company has developed a low floor bus, for use in cities, featuring an environment friendly, rear-mounted engine.
- A coach with an ultra-low floor, specially insulated against noise and vibration, for use on airport tarmac, has been designed and developed for use by airlines.
- A 44 tonne GVW 3-axled tractor, which can be coupled to both 2- and 3-axled trailers, has been evolved. The vehicle features a Bharat Stage-2 compliant emission standards engine.
- A semi-forward control (SFC) model is being developed, with contemporary design and styling, to usher in new standards of aesthetics and customer satisfaction in the SFC segment.
- A luxurious "Home away from Home" - the Exuba, has been developed. It offers mobile luxury for vacationing and can function, as a travelling office, with TV, DVD player, audio system and PC. It also features a chemical toilet.
- A light recovery vehicle, featuring a "wrecker", has been developed for the defence forces and orders for supplies from the Indian Army are under execution.
- A military vehicle powered by a Bharat Stage-2 emissions standard compliant engine and featuring automatic transmission has been developed.

(C) Foreign Exchange Earnings and Outgo

The details of earnings and outgo of foreign exchange are given in Schedules 1.6 to 1.9 of Notes to the Accounts. The Company continues to strive to improve its export earnings.

Annexure II to Directors' Report — Report on Corporate Governance

Your Company has consistently stood for good Corporate Governance. A self-evaluation vis-à-vis CII's recommendatory code had been reported to the shareholders in last year's Annual Report. SEBI have now mandated the guidelines for Corporate Governance through amendments to the Listing Agreement with Stock Exchanges.

A similar self evaluation with reference to the SEBI guidelines is given herewith.

Your Directors are happy to state that the Company has already been conforming to most of the SEBI guidelines since long even before the guidelines were prescribed.

The Board has constituted a Corporate Governance Committee (headed by Company's Chairman and consisting of senior Directors) to guide the implementation of the few remaining areas of governance, as required under SEBI guidelines. Your Company will ensure full compliance with the SEBI guidelines well before the stipulated date i.e. March 31, 2001.

It will be the Company's policy to constantly review and ensure such conformity and also endeavour to improve on the norms wherever possible so as to enhance long-term shareholder value.

SEBI GUIDELINES ON CORPORATE GOVERNANCE — AL's CURRENT STATUS

	SEBI Guidelines	AL's Current Status
I.	Board of Directors	
	A) Composition of Board of Directors	
	i) Where Chairman is also MD(Executive)	• Of the 14 Directors on the Board, 12 including the Chairman are non-executive Directors
	— at least 50% to be non-executive Directors	
	ii) Where Chairman is non-executive Director	• Guidelines adequately satisfied
	— at least 1/3 rd to be independent Directors	
	B) Disclosure of pecuniary relationship / transactions	• There are no pecuniary relationship or transactions
II.	Audit Committee	
	A) Composition, proceedings etc.	• Committee consists of four independent Directors and is chaired by Mr Choksey, an eminent Chartered Accountant. Mr Hinduja, Mr Sahami and Mr. Subbaiah are the other members
	B) Frequency of meetings (minimum 3 meetings per year), and Quorum	• Three meetings were held in the last financial year • The Guidelines are being met
	C) Powers of the Audit Committee	• The Committee has the powers as envisaged by the Guidelines.
	D) Role of Audit Committee relating to: Statutory Auditors, Accounting practices, Review of control system, Internal Audit, Review of investigations etc.	• All the aspects stipulated under the Guidelines are fully covered by the present Committee
	E) If Audit Committee established under the Companies Act (being proposed under the Companies Amendment Bill, 1999)	• Not applicable

Annexure II to Directors' Report — Report on Corporate Governance

	SEBI Guidelines	AL's Current Status
III.	<p>Remuneration of Directors</p> <p>A) To be decided by the Board for non-executive Directors</p> <p>B) Disclosure of Directors' remuneration in the Annual Report</p> <p>Remuneration of Executive Directors</p>	<ul style="list-style-type: none"> • Presently not applicable, except for sitting fees. • Present disclosure is through : <ul style="list-style-type: none"> a) Summarised figures in Notes on Accounts b) Details of components of remuneration package set out in Notice seeking shareholders' approval • A Remuneration Committee consisting of Mr Shahaney, Mr Choksey and Mr Sahami deals with this aspect based on authority given at General Meetings.
IV.	<p>Board Procedures</p> <p>A) Frequency of, and time gap between meetings.</p> <p><u>THE MINIMUM</u> information to the Board</p> <p>B) Restriction on number of memberships (including Chairmanship) of Committees</p> <p>Annual disclosure of details</p>	<ul style="list-style-type: none"> • Being complied with fully. • The details /information regularly placed before the Board covers, in a structured manner most of the items stipulated by SEBI; in a few cases, the matters are discussed at the Board, though not necessarily with the structured background material. • The present details and monitoring relate only to companies and not Committees
V.	<p>Management</p> <p>A) Management Discussion and Analysis Report.</p> <p>B) Disclosure of interested transactions</p>	<ul style="list-style-type: none"> • Already introduced in last year's Annual Report; can be elaborated • No such transactions.
VI.	<p>Shareholders</p> <p>A) Appointment/Re-appointment of Directors - Elaborate details to be furnished</p> <p>B) Quarterly results / information given to Analysts to be placed on Website</p> <p>C) Shareholder / Investor Grievance Committee to be formed for specific role</p> <p>D) Expedite share transfers — on fortnightly basis — by further delegation</p>	<ul style="list-style-type: none"> • Not being done presently • Being done already • Not formally done till March 2000; but MD monitors this aspect personally • Committee has been formed in April 2000 • Powers being exercised by Share Transfer Committee consisting of 5 directors (3 of them non-executive) • The Committee met 29 times between April 1999 and March 2000

Annexure II to Directors' Report — Report on Corporate Governance

	SEBI Guidelines	AL's Current Status
VII.	<p><u>Report on Corporate Governance</u></p> <ul style="list-style-type: none"> • Separate section on Corporate Governance to be included in the Annual Report — with details of compliance and deviations • List of items to be included • A few other items recommended as non-mandatory • Corporate Governance Committee 	<ul style="list-style-type: none"> • Detailed section included in last year's Annual Report with reference to CII Code. • Most of the items are being included already (in last year's Annual Report vis-à-vis CII Code, as well as in the current Report); however, certain elaboration of operational information on these items have not been enumerated so far. • These are also being complied with but not being reported explicitly. • The Committee has been constituted in April 2000 consisting of the Chairman, three non-executive Directors and the Managing Director
VIII.	<p><u>Compliance</u></p> <ul style="list-style-type: none"> • Certificate from Statutory Auditors regarding compliance to be included in the Annual Report and also sent to Stock Exchanges <p><u>SCHEDULE OF IMPLEMENTATION</u></p> <ul style="list-style-type: none"> • To be implemented before March 31, 2001 	<ul style="list-style-type: none"> • Will be adopted as prescribed • Most of the guidelines already being met; only a few elaborations/improvements need to be achieved. • Will be fully implemented (and certified as required) next year.