

## Annual Report 2000 - 2001

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<b>Board of Directors</b>	R J Shahaney, <i>Chairman</i>
	D J Balaji Rao ( <i>Nominee of ICICI</i> )
	P A Balasubramanian ( <i>Nominee of LIC</i> )
	G Boschetti ( <i>Alternate : Marc Petit</i> )
	P K Choksey
	A K Das
	D G Hinduja
	H Klingele
	E A Kshirsagar
	F Sahami ( <i>Alternate : B D Punjabi</i> )
	R Seshasayee, <i>Managing Director</i>
	R Jagannath, <i>Wholetime Director</i>
<b>Executive Directors</b>	J N Amrolia
	T Anantha Narayanan
	K K S Bhalla
	A S Mundkur
	S Nagarajan
	M Natraj
	A J Sandil
<b>Secretary</b>	N Sundararajan
<b>Auditors</b>	M S Krishnaswami & Rajan
	Price Waterhouse
<b>Cost Auditor</b>	Geeyes & Co.
<b>Bankers</b>	American Express 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
	Standard Chartered Grindlays Bank
	State Bank of Bikaner & Jaipur
	State Bank of Hyderabad
	State Bank of India
	State Bank of Travancore
<b>Registered Office</b>	19, Rajaji Salai, Chennai 600 001
<b>Plants</b>	Chennai
	Hosur, Tamil Nadu
	Bhandara, Maharashtra
	Alwar, Rajasthan
	Hyderabad

## Highlights of Performance

Rs. Millions

	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92
Sales Volume										
Vehicles (nos.)	32475	37859	29741	31547	43352	37399	30410	24226	20571	23422
Engines (nos.)	6311	6004	7185	7611	8331	6537	5258	5666	4069	6337
Spare Parts and Others	5139	2145	2145	2520	2030	1962	1596	1411	1115	1027
Sales Value	26067	25987	20451	20143	24825	20097	15133	11813	9544	10307
Profit Before Tax	1019	933	233	207	1570	1336	706	353	46	269
Profit After Tax	917	785	204	184	1249	1131	706	353	46	244
Assets										
Fixed Assets	9613	9458	9547	9026	8399	7142	5904	5021	3268	2723
Investments	1179	1204	625	485	583	781	681	523	277	1607
Net Current Assets	10223	10329	10491	13914	13679	11284	9000	4463	5686	3435
	21015	20991	20663	23425	22661	19207	15585	10007	9231	7765
Financed by										
Shareholders' Funds - Capital	1189	1189	1189	1189	1189	1189	1189	780	694	315
- Reserves	10496	10145	9852	9763	9704	9152	8485	3902	3400	1913
Loan Funds	9330	9657	9622	12473	11768	8866	5911	5325	5137	5537
	21015	20991	20663	23425	22661	19207	15585	10007	9231	7765
Earnings per Share (paise)	771	660	171	154	1050	951	837	491	79	776
Dividend (%)	40	35	10	10	50	40	35	27	12	27
Employees (nos.)	13489	14056	14254	14635	15274	14545	13616	12596	12307	12338

## Directors' Report

### Part - I Performance/Operations

The Directors present the Annual Report of the Company together with the audited Accounts for the year ended March 31, 2001.

#### Financial Results

	2000-2001 (Rs. Million)	1999-2000 (Rs. Million)
Profit Before Tax	1,019.41	932.86
Less : Provision for Taxation	102.60	148.00
	916.81	784.86
Add : Transfer from/(to):		
Investment Allowance Reserve	53.40	18.70
Debenture Redemption Reserve	(52.30)	790.42
Balance in Profit and Loss Account Brought forward from previous year	642.77	210.83
General Reserve	(300.00)	(700.00)
Profit available for appropriation	1,260.68	1,104.81
Appropriation :		
Proposed Dividend	475.72	416.25
Tax on Proposed Dividend	48.52	45.79
Surplus - Balance in Profit and Loss Account Carried forward to next year	736.44	642.77

#### Dividend

The Directors recommend a dividend of 40% (Rs.4/- per equity share of Rs.10/-) free of tax, for the year ended March 31, 2001.

#### Sales

The sign of revival which appeared in early 2000 turned out to be short-lived. Commercial vehicle industry was significantly affected by the general economic slowdown.

Correspondingly total industry sales (domestic -civilian) of medium and heavy duty commercial vehicles during 2000-2001 is estimated to have declined by 19.1% over the previous year.

However, your Company's sales in this segment dropped by only 3.5% during the same period thereby improving significantly your Company's market share under difficult conditions. This was possible due to stepped-up marketing efforts,

opening of more dealer outlets and service centres, improved product performance and tailor-made financial package for select product categories.

During 1999-2000, vehicle sales volume included those to defence whereas during 2000-2001, these were supplied as CKD kits and not included; hence, the figures of sales volume for the two years are not fully comparable.

#### Exports

Your Company's exports during 2000-2001 were 2411 vehicles, which was an improvement of 10.2% over the previous year.

#### Production

During the year, production was aligned to meet market requirements. The thrust on inventory reduction, process improvement and control over wastages and costs continued this year.

#### Profitability

The major contribution towards profit improvement came from material cost savings through waste reduction, strategic sourcing, reduction in operating and process costs, and also better financial management. These actions helped to mitigate the increase in fixed costs due to triennial wage settlements in major manufacturing units.

#### Dispute Regarding Central Sales Tax

The Company's appeal against the disputed levy of Central Sales Tax by the Government of Tamil Nadu is pending before the Supreme Court. However, the Stay granted by the Supreme Court continues to be in force. The adoption of Value Added Tax across the country, and the establishment of an independent Dispute Resolution Authority at all India level are two emerging systemic solutions to this long-standing vexatious problem.

#### Debenture Series VIII

The Debenture Series VIII was fully redeemed in November 2000.

#### Industrial Relations

Industrial relations during the year were quite satisfactory and the three year wage settlements have been concluded in the major manufacturing units. Co-operation between Management and the Unions continued, resulting in further operational improvements, implementation of Voluntary Retirement Scheme and better productivity in several areas.

#### Research and Development, Technology Absorption, Energy Conservation etc.

During the year, the Company successfully upgraded the engines to

## Directors' Report

fully meet Bharat - I (Euro I) emission norms. The necessary developmental work is on schedule to meet Bharat-II (Euro-II) emission standards, as and when they are mandated.

Your Company has also taken adequate preparatory steps in readiness for the next higher standards of emission norms that may be prescribed in due course.

The progress made on other aspects of R&D, Technology, Energy etc., are furnished in **Annexure - A** to this Report.

### CNG Buses

Your Company's pioneering role in India in developing and supplying buses using CNG (Compressed Natural Gas) has gained due recognition. Your Company has supplied a large number of buses in New Delhi, following the Supreme Court directive. Further orders for sizeable numbers have been received for supplies during the current year.

### Engine Alliance

The Company had pursued a proposal for hiving-off of the IVECO engine activity at Hosur into a separate company, to be owned by a separate Joint Venture with IVECO of Italy. Due to changed business and market conditions, this proposal did not materialise.

### Lufthansa Cargo India

Lufthansa Cargo India Limited, in which your Company holds 5% equity, had during the year under review, ceased its operations consequent upon the operations becoming unviable. Your Directors have arranged to dispose of your Company's shareholdings at par value.

## Part - II Corporate Matters

### Corporate Governance

Your Directors are happy to report that your Company is fully compliant as on March 31, 2001 with the SEBI Guidelines on Corporate Governance, which have been incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges.

A detailed report on this subject forms **Annexure - B** to this Report.

The Statutory Auditors of the Company have examined the Company's compliance, as above, and have certified the same, as required under the SEBI Guidelines. Such certificate is reproduced as **Annexure - C** to this Report. Further, a separate Management Discussion and Analysis Report covering a wide range of issues relating to performance, outlook etc., is given as **Annexure - D** to this Report.

Directors' Responsibility Statement as required under Section 217 (2AA) is furnished as **Annexure - E** to this Report.

### Buy-Back of Shares

Your Directors had announced in October 2000, a proposal for buy-back of the Company's equity shares at a price not exceeding Rs.60/- per share. However, it was understood that shareholders did not find the price attractive enough, and the Company did not find it viable to offer a higher price. Further, the market conditions had also become more volatile subsequent to the announcement. Hence the Directors had decided in January 2001 to keep in abeyance the buy-back proposal.

## Directors

Mr M J Subbaiah, who was a Nominee Director of ICICI, ceased to be a Director from July 11, 2000 on account of his leaving the services of ICICI. Your Directors wish to place on record their appreciation of the valuable contribution made by Mr Subbaiah as a member of the Board, and of the Audit Committee during his association of two years with the Company.

Mr D J Balaji Rao (former Deputy Managing Director of ICICI, and former Managing Director of SCICI Ltd.,) has been nominated as a Director on your Board by ICICI from July 27, 2000. Mr Balaji Rao was previously a member of the Board from 1989 to 1996.

Mr S K Mukerji, Director who represented LIC of India (as a large shareholder) stepped down from the Board on completion of two terms. Your Directors wish to express their high appreciation for Mr Mukerji's advice and guidance during his association of over 6 years with the Board.

Mr P A Balasubramanian, Executive Director - Investment of LIC has been appointed as a Director on your Board, in place of Mr S K Mukerji.

Mr J Joseph, who continued as a Director on the Board (after ceasing to be Deputy Managing Director from March 1998) resigned from the Board in March 2001. Your Directors wish to thank Mr Joseph for his contribution to the Company's growth and well-being and for his continued advice and co-operation.

Your Board of Directors have appointed Mr E A Kshirsagar, an

## Directors' Report

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eminent Chartered Accountant and a Director of M/s A F Ferguson & Co., as a Director on your Board, in place of Mr J Joseph. He retires at this Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a member proposing his re-appointment. The necessary resolution for his re-appointment is being placed before the members for approval.

Mr R Sorce resigned from the Board in March 2001. He had been associated with the Company for over a decade, and had helped significantly in strengthening the Company's relationship with the technical collaborator, M/s IVECO of Italy. Your Directors wish to record their sincere thanks and high appreciation for his deep involvement and active cooperation over the years.

Mr G Boschetti, Mr P K Choksey and Mr R J Shahaney retire by rotation at the forthcoming Annual General Meeting, and are eligible for re-appointment. The necessary resolutions are being placed before the members for 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 of employees as prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are furnished in the **Annexure - F** 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 24, 2001

**R J SHAHANEY**  
Chairman

## Annexure A to Directors' Report

### (A) Conservation of Energy

Continuous monitoring of processes (especially in the heat treatment area) and manufacturing methods, and exercise of strict control of wasteful usage has helped in conservation and optimum utilisation of energy.

### (B) Technology Absorption

#### Research and Development (R&D)

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

- Bharat Stage-I version of three Engine families have been in operation in the field of one year now and the results are satisfactory.
- Bharat Stage-II version of the 5.7 litre engine with 96 KW power has been optimised and type approval tests have been completed.
- Design work for upgradation of 6.5 litre engine to Bharat Stage-II norms has been completed.
- 5.7 litre engine has been developed to work on Compressed Natural Gas and certification tests have been completed.

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

- Enhanced competitiveness of products and improved share.

##### 3. Future Plan of Action :

- Upgradation and development of engines to meet Euro-3 equivalent Indian norms.
- To build Quality Systems and technical skills to minimise time from concept to market and to be right first time.

##### 4. Expenditure on R & D :

	(Rs. Million)
(a) Capital	108.53
(b) Revenue	122.70
(excluding depreciation)	
Total	231.23
Total R & D Expenditure as % of total turnover	0.89

### Technology Absorption, Adaptation and Innovation

- Low floor city bus will commence user trials shortly.
- Fire fighting truck has been developed, tested and approved by the Indian Army.
- Indian Army has completed trials of the high mobility 6x6 vehicle.
- 25T GVW 6x2 vehicle with 5.7 litre engine and synchro gear box launched in 1999/2000 has been well accepted in the market.
- Tipper version of the Taurus vehicle has found good acceptance in the road construction sector.
- High powered (160 HP) bus has been developed for Export markets.
- Full air brakes have been introduced on mini buses.
- Pilot production of upgraded version of 6 speed synchromesh gear box will commence this year.

### (C) Foreign Exchange Earnings and Outgo

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



## Annexure B to Directors' Report — Report on Corporate Governance

### 1) ASHOK LEYLAND PHILOSOPHY ON CORPORATE GOVERNANCE

The Board of Directors and the Management of Ashok Leyland commit themselves to :

- strive towards enhancement of shareholder value through
  - sound business decisions
  - prudent financial management, and
  - high standards of ethics throughout the organisation.
- ensure transparency and professionalism in all decisions and transactions of the Company.
- achieve excellence in Corporate Governance by
  - conforming to, and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance.
  - regularly reviewing the Board processes and the Management systems for further improvement.

### 2) BOARD OF DIRECTORS

a) **Composition** : The Board of Directors of the Company as on March 31, 2001 consisted of

#### i) Non-executive Directors

a) Promoter Group	Mr G Boschetti ( <i>Alternate : Mr Marc Petit</i> ) Mr A K Das Mr D G Hinduja Mr H Klingele Mr F Sahami ( <i>Alternate : Mr B D Punjabi</i> )
b) Connected with Associate Companies	Mr R J Shahaney ( <i>Chairman</i> )
c) Independent	Mr D J Balaji Rao ( <i>Nominee of ICICI on behalf of Lenders</i> ) Mr P A Balasubramanian - <i>representing LIC as Shareholder</i> Mr P K Choksey Mr E A Kshirsagar
ii) Managing Director	R Seshasayee
iii) Wholetime Director	R Jagannath

#### b) Attendance at Board Meetings and last A.G.M. and details of memberships of Directors in other Boards and Board Committees

- Six Meetings of the Board were held during the financial year - on 21/4/2000, 30/5/2000, 27/7/2000, 24/10/2000, 27/1/2001 and 30/3/2001.
- The last Annual General Meeting was held on 30/5/2000.

**Annexure B to Directors' Report — Report on Corporate Governance**

Name of the Director	No. of Board meetings attended	Whether attended last A.G.M.	MEMBERSHIPS AS ON 31/3/2001 IN	
			Other Boards (excludes Ashok Leyland) (Note 1)	Other Board Committees (excludes Ashok Leyland) (Note 2)
Mr R J Shahaney	6	Yes	6 (of which 4 as Chairman)	3 (of which 1 as Chairman)
Mr D J Balaji Rao (Note 3)	2	Not Applicable	4	3
Mr P A Balasubramanian (Note 4)	—	Not Applicable	1	1
Mr G Boschetti	—	No	NIL	NIL
Mr P K Choksey	5	Yes	7 (of which 1 as Chairman)	6 (of which 3 as Chairman)
Mr A K Das	3	Yes	14	NIL
Mr D G Hinduja	3	No	2	NIL
Mr J Joseph (Note 5)	4	Yes	Not Applicable	
Mr H Klingele	5	No	1	NIL
Mr E A Kshirsagar (Note 4)	1	Not Applicable	1	2 (of which 1 as Chairman)
Mr S K Mukerji (Note 5)	4	Yes	Not Applicable	
Mr F Sahami	5	Yes	2	1
Mr R Sorce (Note 5)	3	No	Not Applicable	
Mr M J Subbaiah (Note 6)	1	Yes	Not Applicable	
Mr R Seshasayee	6	Yes	8	2 (of which 1 as Chairman)
Mr R Jagannath	5	Yes	NIL	NIL
<b>Alternate Directors :</b>				
Mr B D Punjabi (Note 7)	2	Not Applicable	6	3
Mr Marc Petit	—	Not Applicable	NIL	NIL
Mr M Lecomte (Note 8)	—	Not Applicable	Not Applicable	

Note 1 : Excludes Foreign Companies, Private Limited Companies and Alternate Directorships.

Note 2 : Only Remuneration Committee, Audit Committee, Shareholders/Investors Grievance Committee are reckoned for this purpose.

Note 3 : Appointed as Nominee Director of ICICI on 27/7/2000.

Note 4 : Appointed as Director effective 30/3/2001.

Note 5 : Ceased to be Director effective 30/3/2001.

Note 6 : Ceased to be a Nominee Director of ICICI on 11/7/2000.

Note 7 : One meeting each as Alternate to Mr Klingele and Mr Sahami.

Note 8 : Ceased to be Alternate Director effective 24/10/2000.