

PASSION FOR ENGINEERING



ASHOK LEYLAND

Annual Report 2006-07



HINDUJA GROUP

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Forward looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend 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 out 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', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in 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.

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Engineering
is the way we think

Engineering
is our passion

We put this passion to good purpose, to create engineering solutions that improve efficiency, ergonomics and life.

We are 'Engineering Your Tomorrows'.

Our passion for engineering

We direct our passion for engineering to the task of offering products with the best value-to-cost equation to our customers.

It means listening to the customer to understand his business and needs, to engineer product configurations that best answer his needs.

It means empowering employees to add value along the supply chain.

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Commercial Vehicle operations since

1955

Employees:

12,125

(as on March 31, 2007)

Annual Capacity:

84,000

Vehicles

(as on March 31, 2007)

Revenue:

Rs. 83 bn

(2006-07)

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PAT:

Rs.4.4 bn

(2006-07)

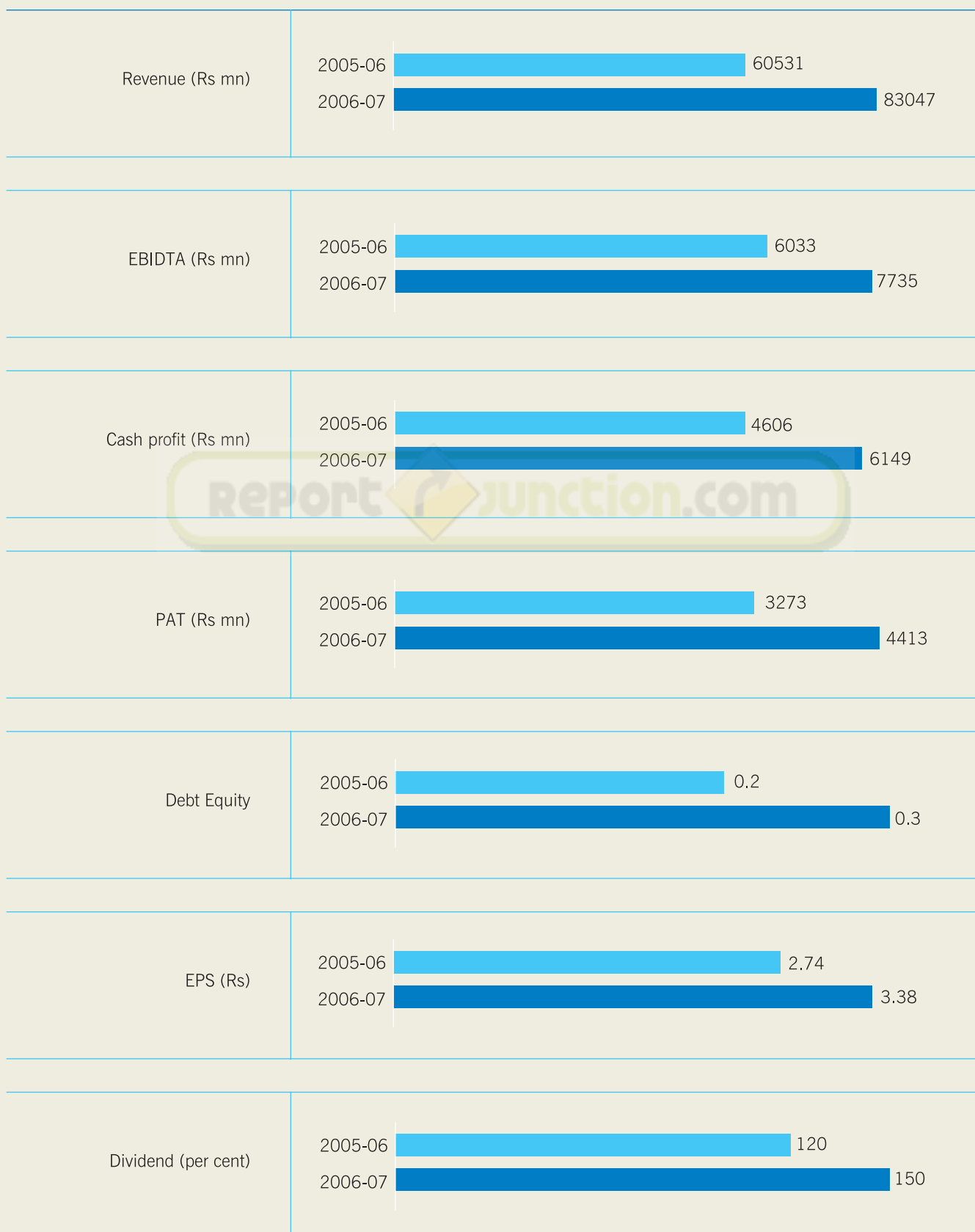
Market capitalisation:

Rs.50.8 bn

(as on March 31, 2007)



2006-2007 Highlights





From function to strategy

Initiation:
March 17, 2006

Team:
26
young executives

Team across:
9
locations

Team from:
8
departments



Overview

When a team of young employees was empowered to extend beyond their functional roles and formulate a business plan for 2007-08 for Ashok Leyland, it wasn't just a simple case of role stretch; it represented a dramatic shift in the organisation's mindset.

Team meetings among
18
departments

Time invested per member involved
300-350 hrs
brainstorming

Acceptance:
March 3, 2007

This is what made the decision unique from the corporate perspective:

- For decades, strategic decision making and goal-setting has been a top-down process in large organisations; this direction was now being reversed
- The average age of the youngsters was less than 30 years and organisational experience 5-10 years.
- While the executives had functional expertise, they were not exposed to Company-level strategic decision-making
- The members were drawn from diverse functions and scattered locations, working together for the first time

Approach

After a 3-day insight into the existing plan and assumptions, this team of 26 members embarked on a bottom-up approach:

- The team was segregated into 14 key functions; each was delegated the responsibility of doing an in-depth evaluation of the current business plan of their assigned function and preparing the assumptions for the next year's plan, within three months
- Information was mined from all functions and locations. Strategies were bounced off the department heads
- All paradigms were questioned. All assumptions were validated against economic and market scenarios
- This insight enabled identification of roadblocks in the systems and processes of each department; it allowed the

group to look for alternatives, based on domestic and international benchmarks

- Periodic meetings with senior executives ensured timely course correction when required

Result

On 11 November, 2006, the Corporate Business Plan was presented in a four-hour meeting with the Management Committee.

- The plan was much more aggressive than originally proposed by top management
- It covered an in-depth analysis on capacity; volume projections and market share plans
- The plan proposed a series of viable creative options for removing possible bottlenecks in capacities, supply chain and marketing

Successful implementation of the plan proposed by the youngsters promises significant improvement in Company performance.

This team is now busy drafting another 75 youngsters to get involved in the implementation of the plan.

For the Company, this HR exercise has prepared the ground for a new generation of thought leaders; for the team members, this opportunity has resulted in a fresh macro perspective, enhanced management trust and greater career fulfilment.

Engineering a solution around regulatory compliance



In the current phase of accelerated emission regulations, migration of vehicles to the subsequent – and more stringent – norms has been a challenge for the Product Development teams. In 2005, Bharat Stage (BS) II norms became applicable for the entire country, except 11 cities earmarked for BS III norms. The ready – and standard – solution was to retard the engine and, to improve the combustion, use a rotary mechanical fuel injection pump, which has 30% higher injection pressure compared to an in-line pump.

But customers clearly favoured in-line pump – simpler, easy to maintain and repair as also less expensive. The Ashok Leyland engineers took up the challenge.

