



ASHOK LEYLAND

**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.

Contents

Highlights	04	Cash Flow Statement	34
Directors' Report	05	Statement on Significant Accounting Policies	36
CEO / CFO Certification	27	Schedules to the Balance Sheet	39
Auditor's Report to the Members	29	Schedules to the Profit and Loss Account	48
Balance Sheet	32	Notes to the Accounts	51
Profit and Loss Account	33	Balance Sheet Abstract and Company's General Business Profile	66

Annual Report 2009-2010

BOARD OF DIRECTORS	R J Shahaney, <i>Chairman</i>
	D G Hinduja, <i>Co-Chairman (Alternate : Y M Kale)</i>
	Anil Harish <i>(from 30.10.2009)</i>
	D J Balaji Rao
	A K Das <i>(Alternate : P Banerjee)</i>
	P N Ghatalia <i>(upto 12.08.2009)</i>
	Ramachandran R Nair
	F Sahami
	Shardul S Shroff
	Anders Spare
	Dr V Sumantran
	R Seshasayee, <i>Managing Director</i>
	Vinod K Dasari, <i>Whole-time Director</i>
CHIEF FINANCIAL OFFICER	K Sridharan
EXECUTIVE DIRECTOR AND COMPANY SECRETARY	A R Chandrasekharan
EXECUTIVE DIRECTORS	J N Amrolia
	Anup Bhat
	S Balasubramanian
	A K Jain
	Jayendra Parikh
	R R G Menon
	N Mohanakrishnan
	M Nataraj
	Rajinder Malhan
	Rajive Saharia
	Shekhar Arora
	B M Udayashankar
AUDITORS	M S Krishnaswami & Rajan
	Deloitte Haskins & Sells
COST AUDITORS	Geeyes & Co.
BANKERS	Bank of America
	Bank of Baroda
	Canara Bank
	Central Bank of India
	Citibank N.A.
	Credit Agricole Corporate and Investment Bank
	HDFC Bank Limited
	ICICI Bank Limited
	IDBI Bank Limited
	Punjab National Bank
	Standard Chartered Bank
	State Bank of India
	State Bank of Patiala
	The Hongkong and Shanghai Banking Corporation Limited
REGISTERED OFFICE	1, Sardar Patel Road, Guindy, Chennai 600 032
PLANTS	Chennai (Ennore & Ambattur) and Hosur (Tamil Nadu); Bhandara (Maharashtra); Alwar (Rajasthan); Pantnagar (Uttarakhand).
WEBSITE	www.ashokleyland.com

A HISTORICAL PERSPECTIVE

Rs.Lakhs

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Sales Volume										
Vehicles (numbers)	32,475	29,673	36,444	48,654	54,740	61,655	83,094	83,307	54,431	63,926
Engines (numbers)	6,311	5,258	5,924	5,085	6,254	7,171	8,202	11,757	21,447	19,050
Spare parts and others	51,390	54,920	47,710	44,680	54,600	78,380	54,684	79,124	79,969	88,506
Revenue (Gross sales)	2,60,670	2,63,040	3,07,400	3,92,730	4,81,080	6,05,310	8,30,472	8,94,715	6,66,664	7,87,260
Profit before tax	10,190	13,220	17,010	28,646	35,501	45,230	60,451	63,815	20,845	54,477
Profit after tax	9,170	9,230	12,021	19,358	27,141	32,732	44,129	46,931	19,000	42,367
Assets										
Net fixed assets	96,130	1,00,980	93,980	92,110	97,900	1,08,470	1,54,452	2,05,479	4,39,741	4,81,103
Investments	11,790	11,730	15,758	14,660	22,919	36,818	22,109	60,990	26,356	32,615
Net current assets	1,02,230	98,250	74,812	63,100	99,161	82,392	94,183	60,332	1,02,867	1,17,893
Total	2,10,150	2,10,960	1,84,550	1,69,870	2,19,980	2,27,680	2,70,744	3,26,801	5,68,964	6,31,611
Financed by										
Shareholders' funds - Capital	11,890	11,890	11,890	11,890	11,890	12,220	13,239	13,303	13,303	13,303
- Reserves	1,04,960	91,310	84,060	90,050	1,02,960	1,28,300	1,73,775	1,99,366	3,33,118	3,53,055
Loan funds	93,300	88,840	71,750	49,900	88,040	69,190	64,040	88,750	1,95,815	2,20,389
Deferred Liability	-	-	-	-	-	-	-	-	-	7,655
Deferred tax liability - Net	-	18,920	16,850	18,030	17,090	17,970	19,690	25,382	26,344	38,454
Foreign currency translation difference account - Net	-	-	-	-	-	-	-	-	384	-1,245
Total	2,10,150	2,10,960	1,84,550	1,69,870	2,19,980	2,27,680	2,70,744	3,26,801	5,68,964	6,31,611
Basic Earnings per Share (Rs.)	0.77	0.78	1.01	1.63	2.28	2.74	3.38	3.53	1.43	3.18
Dividend per share (Rs.) (face value Re. 1 each)	0.40	0.45	0.50	0.75	1.00	1.20	1.50	1.50	1.00	1.50
Employees (nos.)	13489	13218	11860	12007	12178	11845	12125	13304	11938	13662

DIRECTORS' REPORT

Part I - Performance/Operations

The Directors have pleasure in presenting the Annual Report of the Company, together with the audited Accounts, for the year ended March 31, 2010.

FINANCIAL RESULTS

	(Rs.Lakhs)	
	2009-2010	2008-2009
Profit before tax	54,477.48	20,844.63
Less: Provision for taxation	12,110.00	1,845.00
Profit after tax	42,367.48	18,999.63
Excess provision written back		
– Dividend	-	22.05
– Corporate dividend tax thereon	-	3.75
Balance profit from last year	48,230.19	50,227.38
Transfer from/(to):		
Debt redemption reserve	416.67	(2,958.33)
General reserve	(10,000.00)	(2,500.00)
Profit available for appropriation	81,014.34	63,794.48
Appropriation:		
Proposed dividend	19,955.07	13,303.38
Corporate dividend tax thereon	3,314.29	2,260.91
Balance profit carried to balance sheet	57,744.98	48,230.19
Earnings per Share (face value Re. 1/-)		
– Basic (in Rs.)	3.18	1.43

Dividend

The Directors recommend a dividend of 150% (Rs.1.50 per equity share of Re.1/-) for the year ended March 31, 2010.

Business operations

The commercial vehicle industry which was severely impacted during the previous year, as a result of the economic slowdown, continued to be sluggish in the first half of the year. However, thanks to the stimuli provided by the Government, primarily in the form of excise duty reduction and improved availability of bank finance, the market witnessed a robust revival of demand during the second half of the year. A number of supply constraints came in the way of fully exploiting the new available opportunities. Overall, during the year, with a focus on marketing efforts, cost control, and effective working capital management, the Company considerably improved profitability.

Highlights of performance are discussed in detail in the Management Discussion and Analysis Report attached as **Annexure-D** to this Report.

Borrowings

During the year, your Company continued to make investments for capacity expansion and for strategic purposes, both within the Company and through associate companies. In order to fund such programs, besides using internal accruals, your Company focused on liquidating non-core investments and augmenting resources through cost-effective borrowings. Accordingly, during the year, your Company disposed off investments in long-term bonds and raised Rs.112 crores besides availing term loans of Rs.500 crores. The total long-term borrowings of the Company in the form of external commercial borrowings, debentures and term loans, outstanding at the end of the year, aggregated to Rs.2,204 crores.

Research and development, technology absorption, energy conservation, etc.

Despite the difficult business conditions, investment in Research and Development activities has continued to receive high priority from the Company. Several programmes are under execution to provide more value to customers and to remain competitive.

The capital and revenue expenditure incurred on Research and Development activities is shown separately.

The particulars prescribed by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption, Foreign Exchange are furnished in **Annexure - A** to this Report.

Pantnagar Plant, Uttarakhand

With the commissioning of the modern, fully integrated plant at Pantnagar (Uttarakhand) in March 2010, additional capacity for 75,000 vehicles/year has been created. Overall annual capacity for the Company is now 1,50,500 vehicles (on a two-shift basis).

Other Key Ventures

Ashley Alteams India Limited

The state-of-the-art manufacturing facility at Cheyyar, near Kanchipuram (Tamil Nadu) was inaugurated during the year. The Company has begun supplies meeting the stringent requirements of customers in the Automotive and Telecommunication Sectors.

Albonair (India) Private Limited

During 2007, your Company established Albonair GmbH for development of vehicle emission treatment / control systems and products. In order to cater to the emerging markets in China and India, Albonair (India) Private Limited was incorporated during the year.

Defiance Technologies Limited

With the experience of the management team in providing manufacturing services to global customers integrating Process,

DIRECTORS' REPORT

IT and Operations backed by the manufacturing services capability available, your Company is expected to exploit the opportunity in providing services through Defiance Technologies Limited, promoted by it during the year. Considering the synergy between the activities of Ashley Design and Engineering Services (ADES), a Division of Ashok Leyland Limited (subsequently rechristened as Defiance Technologies Division) engaged in engineering services and the activities of Defiance Technologies Limited, Defiance Technologies Division was, through a slump sale, integrated with Defiance Technologies Limited during the year.

Part II - Corporate Matters

Corporate Governance

Your Company is fully compliant with the Corporate Governance guidelines, as laid out in Clause 49 of the Listing Agreement. All the Directors (and also the members of the Senior Management – of the rank of General Managers and above) have confirmed in writing their compliance with and adherence to the Code of Conduct adopted by the Company. The details of the Code of Conduct are furnished in **Annexure-B** to this Report. The Managing Director has given a certificate of compliance with the Code of Conduct, as required by SEBI guidelines.

Many of the clauses of Corporate Governance Voluntary Guidelines 2009 issued by Ministry of Corporate Affairs are being followed by your Company.

The Statutory Auditors of the Company have examined the requirements of Corporate Governance with reference to Clause 49 of the Listing Agreement, and have certified the compliance, as required under SEBI guidelines. The certificate is reproduced as **Annexure - C** to this Report.

The Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 is furnished in **Annexure - E** to this Report.

The particulars of employees as prescribed by the Companies (Particulars of Employees) Rules, 1975 are furnished in **Annexure - F** to this Report.

The CEO / CFO certification as required under the SEBI guidelines is attached - as **Annexure - G** to this Report.

Related Party disclosures/transactions are detailed in Note 7 of the Notes to the Accounts.

Directors

During the year, Mr P N Ghatalia, Chairman of the Audit Committee passed away on August 12, 2009. Your Board of Directors wishes to place on record its appreciation for the contributions made by late Mr P N Ghatalia during his tenure as Director and Chairman of the Audit Committee of the Board of the Company.

At the Board Meeting held on October 30, 2009, Mr Anil Harish, was appointed as an Independent Director, in the casual vacancy caused by the demise of Mr P N Ghatalia. His term of office expires at the end of the ensuing Annual General Meeting. The Company has received a Notice under Section 257 of the Companies Act relating to his appointment at the ensuing Annual General Meeting. The necessary resolution for his appointment is being placed before the shareholders for approval.

Apart from Mr Anil Harish, Mr A K Das, Mr F Sahami and Mr Anders Spare, Directors, retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

Necessary resolutions are being placed before the shareholders for approval.

Cost Auditors

The Government has stipulated Cost Audit of the Company's records in respect of motor vehicles as well as engineering industries (diesel engines). M/s Geeyes & Co., Cost Auditors have carried out these audits. Their findings have been satisfactory.

Secretarial Audit

As directed by Securities and Exchange Board of India (SEBI), Secretarial Audit is being carried out at the specified periodicity by a Practising Company Secretary. The findings of the Secretarial Audit have been satisfactory.

Auditors

M/s M S Krishnaswami & Rajan, Chartered Accountants and M/s Deloitte Haskins & Sells, Chartered Accountants, retire at the close of this Annual General Meeting and are eligible for re-appointment. The Company has received confirmation from both the firms that their appointment will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Audit Committee of the Board has recommended their re-appointment. The necessary resolution is being placed before the shareholders for approval.

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 the joint venture partners, the major shareholders, Hinduja Automotive Limited, the Hinduja Group and all the shareholders. 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 29, 2010

R J SHAHANEY
Chairman

ANNEXURE-A TO DIRECTORS' REPORT

(A) Conservation of Energy

All manufacturing plants have implemented various initiatives for conservation of energy.

Through various cost management initiatives, about 4 mn electrical units have been saved leading to significant savings in energy costs during 2009-2010.

Some key initiatives were:

- Maintenance of power factor throughout the year, through optimum use of capacitor banks.
- Use of natural lighting and ventilation.
- Use of wind power (74.65% of the total saving in cost was through wind power).

(B) Technology Absorption

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

Engines:

- New Engine (N-Series) platform developed and applicated on vehicles.
- Existing engine platform (H-series) upgraded to BS IV emission norms.

Vehicles:

- New vehicle platform ('U Truck') launched, with initial offerings in tippers and tractors.
- Migration of current vehicle platform to BS3/BS4 norms.

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

- Compliance with emission standards slated for implementation from April 2010.

- Potential for extension of the engine platform to cover CNG, marine & industrial applications.
- Introduction of New Lean Development Process with resultant benefit of reduced time to market.

3. Future plan of action:

- Next generation cabs and engine platforms under development.
- Process and methodologies being developed in order to ensure that drive line selection is suitable for the intended application in terms of performance like fuel efficiency, turnaround time, etc.
- Migration of Haulage models to the 'U Truck' platform in order to modularize vehicle concepts completely and thereby introduce flexibility in manufacturing and sourcing.

4. Expenditure on R & D

	Rs.Lakhs
	2009-10
Capital	10,249.22
Revenue (excluding depreciation)	13,158.97
Total	23,408.19
Total R & D Expenditure	
as a % of total turnover	2.97%

(C) Foreign Exchange Earnings and Outgo

Details of earnings and outgo of foreign exchange are given in 1.5 to 1.8 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. 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; and
- achieve excellence in Corporate Governance through
 - conforming to and exceeding wherever possible, the prevalent mandatory guidelines on Corporate Governance
 - regular review of the Board processes and the management systems for further improvement

The Company has adopted a Code of Conduct for members of the Board and senior management. All Directors have affirmed in writing their adherence to the above Code. The full text of the Code is furnished at the end of this Report, and is also displayed at the Company's website www.ashokleyland.com.

2. Board of Directors

- a) **Composition:** The Board of Directors of the Company, headed by a Non-Executive Chairman, consisted of the following Directors, as on March 31, 2010, categorised as indicated:

i) Non-Executive Directors

Independent

Mr Anil Harish

Mr D J Balaji Rao

Mr Ramachandran R Nair (Nominee of LIC)

Mr Shardul S Shroff

Mr R J Shahaney

Non-Independent

Mr A K Das (Alternate: Mr P Banerjee)

Mr D G Hinduja (Co-Chairman)
(Alternate: Mr Y M Kale)

Mr F Sahami

Mr Anders Spare

Dr V Sumantran

ii) Executive Directors

Managing Director

Mr R Seshasayee

Whole-time Director & Chief Operating Officer

Mr Vinod K Dasari

None of the Directors are related to each other.

Board appointments are made by the issue of formal letters appointing Directors.

b) Attendance at Board Meetings and last Annual General Meeting (AGM) and details of memberships of Directors in other Boards and Board Committees

Name of Director	No. of Board meetings attended during the year 2009-10	Whether attended last AGM held on July 28, 2009	No. of Directorship in other Public Companies registered under Companies Act (#)		No. of Committee position in other Public Companies registered under Companies Act (**)	
			as Member	as Chairman	as Member	as Chairman
Mr R J Shahaney	5	Yes	2	2	1	Nil
Mr D G Hinduja	4	Yes	7	1	2	Nil
Mr Anil Harish (appointed w.e.f. October 30, 2009)	2	Not Applicable	13	Nil	9	4
Mr D J Balaji Rao	4	Yes	9	1	8	4