

Ashok leyland financial analysis

Business



On any given day, the company carries 60 million passengers a day, more people than the entire Indian rail network. In the trucks segment Ashok Leyland primarily concentrates on the 16 ton to 25 ton range of trucks.

However Ashok Leyland has presence in the entire truck range starting from 7.5 tons to 49 tons. In 1948, the Company was founded under the name “Askok motors” producing Austin cars. * The company became Ashok Leyland in 1955 together with British Leyland and commenced manufacture of commercial vehicles * Won the ISO 9002 certification in India in 1993. The higher ISO 9001 came the following year.

* Released buses with quiet engines and low pollutant emissions in 1997 * Developed the first hybrid vehicle in 2002 * Started a joint venture Avia Ashok Leyland Motors s. r. o. seeking penetration into competitive European markets in 2008 Industry Outlook for the sectors of operation

The Commercial Vehicles Segment: Among the Auto segments, the CV industry (and in particular the medium and heavy auto segment) was the worst hit by the sudden recession witnessed during 2008-09 characterised by plant shutdowns and production cuts. However, various quick initiatives by the Government, in particular, the reduction in excise duty to 8 percent on both buses and trucks, 50 percent accelerated depreciation on new trucks and for buses purchased under the JNNURM scheme, cut in fuel prices, etc. boosted CV sales from a low of 20,282 vehicles in December '08 to 33,072 vehicles in May 2009.

Ashok Leyland's current status: Ashok Leyland is the second technology leader in the commercial vehicles sector of India behind Tata Motors. The

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company has also maintained its profitable track record for 60 years. The annual turnover of the company was USD 1. 4 billion in 2008-09.

Selling 54, 431 medium and heavy vehicles in 2008-09, Ashok Leyland is India's largest exporter of medium and heavy duty trucks. It is also one of the largest private sector employers in India – with about 12, 000 employees working in 6 factories and offices spread over the length and breadth of India.

LCV| 200, 699| 286, 337| 43%| Total| 384, 194| 531, 395| 38 %| Exhibit 1: Total Industry volumes for the preceding years. Performance in 2009-2010: Against the backdrop of increase in demand for commercial vehicles, the Company registered sales of 57, 139, 21 percent more than the previous year. This includes 16, 405 buses and 40, 734 trucks, 2 percent and 31 percent respectively more than the previous year.

The Company lost 2. 4 percentage points market share in the Indian medium and heavy commercial vehicle market during the financial year 2009-10, mainly due to loss in share of the bus segment.

The Company sold 5, 979 vehicles in the overseas markets during 2009-10. This represents a decrease of approximately 12 percent over the previous year, which was largely due to the reduced demand especially in the Middle East (economic downturn), where volume dropped from 2, 525 units in 2008-09 to 868 units in 2009-10 i. e.

a fall of 66 percent. Future plans * Further investment plans including putting up two new plants – one in Uttarakhand in North India and a bus body

building unit in middle-east Asia are fast afoot. It already has a sizable presence in African countries like Nigeria, Ghana, Egypt and South Africa. The company plans to penetrate European markets hard hit by recession. Toward this end, it has formed a joint venture with the Czech firm Avia.

* Furthermore, the company will expand its product offers into construction equipment, following a joint venture with John Deere. Newly formed in June 2009, the John Deere partnership is a 50/50 split between the companies. * The venture is scheduled to start rolling out wheel loaders and backhoe loaders in October 2010. * Aside from the full expansion planned for the company, Ashok Leyland is also paying close attention to the environment.

In fact, they are one of the companies showing the strongest commitment to environmental protection, utilizing eco-friendly processes in their various plants. * Even as they thrust into different directions, Ashok Leyland maintains an R; D group that aims to uncover ways to make their vehicles more fuel efficient and reduce emissions.

Ashok Leyland SWOT analysis A SWOT analysis for Ashok Leyland as a company was carried out based on the financial statements and annual report of the company for the year 2009-2010 and the key highlights are summarized as below: Strengths: Opportunities: Strong Performance of Indian Economy * Regulations on overloading and over-aged vehicles will be Tightened * Private bus demand will continue to grow with better road connectivity * Efficient Infrastructure Investments