CHAPTER IV
COMPANY PROFILE

The origin of Ashok Leyland can be traced to the urge for self-reliance, felt by independent India. Saran, an industrialist, enters automobile manufacture. In 1948, Ashok Motors was setup in what was then Madras, for the assembly of Austin cars. The company’s destiny and name changed soon with equity participation by British Leyland and, Ashok Leyland commenced manufacture of commercial vehicles in 1955.

The Ashok Leyland has been a major presence in India’s commercial vehicle industry with a tradition of technological leadership, achieved through tie-ups with international technology leaders and through vigorous in house research and development. Access to international technology enabled the company to set a tradition to be first with technology. Be it full airbrakes, power steering or rear engine busses, Ashok Leyland pioneered all these concepts. Responding to the operating conditions and practices in the country, the company made its vehicles strong, over-engineering them with extra metallic muscles. “Designing suitable products that make economic sense to the consumer, using appropriate technology,” became the design philosophy of the company, which in-turn has molded consumer attitudes and the brand personality.

Ashok Leyland vehicles have built a reputation for reliability and ruggedness. The 5,00,000 vehicles have put on the roads have considerably eased the additional pressure placed on road transportation in Independent India. In the populous Indian Metros, four out of the five State Transport Undertaking (STU) buses come from Ashok Leyland. Some of them like
double-decker and vestibule buses are unique models from Ashok Leyland, tailor-made for high-density routes.

In 1987, the overseas holding by Land Rover Leyland International Holdings Limited (LRLIH) was taken over by a joint venture between the Hinduja group, the Non-Resident Indian Transnational. The blue print prepared for the future reflected the global ambitions of the company, captured in four words: Global Standards and Global Markets. This was at a time when liberalization and globalization were not yet in the air. Ashok Leyland embarked on a major product and processes up-gradation to match world-class standards of technology.

In the journey towards global standards of quality, Ashok Leyland reached a major milestone in 1993 when it became the first in India’s automobile history to win the ISO 9001 certification came in 1994, QS in 1998 and ISO 14001 certification for all vehicle manufacturing units in 2002. In 2006, Ashok Leyland became the first auto company in India to receive the TS16949 corporate certification. Ashok Leyland is a technology leader in the commercial vehicles sector of India. Its annual turnover exceeds US$ 1 billion. Selling close to around 83,000 medium and heavy vehicles in each year, Ashok Leyland is India’s largest exporter of medium and heavy duty trucks out of India. It is also one of the private sector employers in India – with about 5,000 employees working in 6 factories spread over the length and breadth of India.

The company announced the take over of the Aviva Truck Business Unit in Czech Republic for an undisclosed amount. The purchase of Aviva Truck Business Unit gives Ashok Leyland a foothold in the highly competitive European Truck market. The Hinduja Group also recently bought out IVECO’s indirect stake in Ashok Leyland for an undisclosed amount. Thus Ashok Leyland is now purely a Hinduja Group Company.
Ashok Leyland is currently headed by Mr. R. Seshasayee. Under his leadership the company has expanded from a purely a India- centric company to a company with Global focus.

### 4.1 COMPANY FACTS

Eight out of ten metro state transport buses in India are from Ashok Leyland. At 70 million passengers a day, Ashok Leyland busses carry more people than the entire Indian rail network. Ashok Leyland has a near 98.5% market share in the Marine Diesel Engines markets in India. In 2002, all the vehicle manufacturing units of Ashok Leyland were ISO 14001 certified with environmental management system. The company has six manufacturing locations in India. Those are:

- Ennore, Chennai
- Hosur, Tamilnadu (3 plants)
- Alwar, Rajasthan
- Bhandara, Maharastra

Spread over 135 acres, Ashok Leyland Ennore is highly integrated Mother Plant accounting for 40% of all production. The plant manufactures a wide range of vehicles and house production facilities for important aggregates such as Engines, Gear Box, Axles and other key in-house components.

**Hosur Unit I**

Established in 1980, Hosur Unit I is the engine manufacturing centre within the Ashok Leyland Production system. Apart from various types of diesel engines (including the engine manufactured under license from Hino of Japan) and CNG engines, the plant also manufactures and assembles heavy
duty and special vehicles, Axles, AGBs, Marine Gear Box, etc. The facility is spread over 103 acres and is innovatively laid out, optimizing the use of all resources.

**Hosur Unit 2**

Ashok Leyland established this state-of-the-art production facility in 1994 at Hosur. Spread over 236 acres, Hosur Unit 2 houses finishing and assembly facilities including sophisticated painting facilities. The complex also houses one of the press facilities in India for processing frame side members. Laid-out with an eye for the future, Hosur unit 2 has won acclaim from several automotive experts who have visited the facility.

**Hosur Unit 2A**

Ashok Leyland’s brand new cab panel press shop is an imposing addition to the industrial skyline of Hosur. At 800 m above sea level, it is also the tallest in the Hosur industrial belt. This state-of-the-art facility is housed in a 99 acre expanse with a built up area of over 15,000sq.m. The shop is equipped to stamp select panels for cargo cab, G-45 and C-45 FES-totally, 55 panels and their variants. Right now it houses eight presses and has the provision to accommodate four more. The versatility of the process can be utilized for making panels of complex shapes and profiles with appropriate tooling and dies. In addition to catering to our present needs, the press shop can take up additional panels of new /current models. Right at the design stage, rainwater harvesting facility was integrated into the shop. A 60,000 sq.m lawn and the 2,500 saplings planted recently in the premises will give the shop a cool, green cover. Built with an investment of Rs. 1350 millions, the shop is designed and developed to be a state of the art facility. The 210m long press shop consists of two bays with a 36m span in each bay. The 24m high press bay has an underground tunnel, 7.1m deep and 90m long to handle the
end bits generated during the process of panel pressing. The other bay is 17m high.

**Alwar**

Established in 1982, the Alwar unit in Rajasthan is an assembly plant for a wide range of vehicles with an emphasis on passenger chassis, including CNG buses, situated close to the northern market.

**Bhandara**

Ashok Leyland’s Bhandara unit houses manufacturing and assembly facilities for sophisticated transmission and also has facilities for assembly of vehicles.

During Financial year (2006-2007) the company sold a record 83,101 vehicles which is an all time high considering the past sales history of Ashok Leyland. This Fiscal the company has targeted to produce and sell close to 120,000 vehicles.

More people travel by Ashok Leyland products in a day than whole of Indian Railways put together. It is one of the leading suppliers of defense vehicles in the world. It is one of the leading Brands in India and most easily recognizable one.

Ennore foundries is the Group Company and Fellow Subsidiary of Ashok Leyland Limited

The company recently acquired the Truck Business Unit of Czech-Republic based AVIA Trucks. The newly acquired company has been named AVIA ASHOKLEYLAND MOTORS.
The company also recently announced the setting up of a new plant in the North Indian state of Uttranchal at Pant Nagar at an investment outlay of Rs. 1200 crores. This plant is expected to go on stream in the year 2008. The plant will have a capacity to produce around 40,000 commercial vehicles and is expected to cater mainly to the North Indian market taking advantage of the excise duty and other tax concessions which will make its products more competitive to TATA MOTORS products.

The company announced recently that it has signed an agreement with Ras Al Khaimah Investment Authority (RAKIA) in UAE for setting up a new manufacturing base in the Middle East. The company also announced that it may set-up a manufacturing base in South Africa.

4.2 CURRENT DIRECTION

The company has increased its rated capacity from 50,000 vehicles per annum to nearly 100,000 vehicles per annum. Also further investment plans including putting up two new plants - one in North India and one in Middle East Asia are fast afoot. After expansion, the company shall attempt to dominate the medium and heavy-duty commercial vehicles market in India. The company is actively considering and has made plans to enter the second hemisphere markets like Africa and Middle East. It has already a sizable presence in African Countries like Nigeria, Ghana, Egypt and South Africa.

Additionally, Ashok Leyland is looking to expand its production operations overseas to make it a more global company. To assist in this goal, the company is looking to acquire small to medium-sized commercial vehicles manufacturers in China and other developing countries which have an established product line.

The company has recently started to build its own corporate office in the suburbs of Chennai at a cost of Rs. 50crores. The company recently
announced that it has acquired Czech-based Avia’s truck business. The company was involved in exporting vehicles to the Sudan against UK government export restrictions to the region. The company has embarked on an ambitious modernization plan for manufacturing engines, gearboxes and axles, at its Chennai plant. The new engine manufacturing facility is expected to go on-stream by April 2007. Once it goes on stream the new engine facility will be one of the most modern facilities in Asia.

4.3 RESEARCH AND DEVELOPMENT

World-class Technology

To offer world class technology that is relevant and affordable to the Indian customer is the philosophy that drives research and development at Ashok Leyland. Over the years, this philosophy has been translated time and again into products that seamlessly integrate international technology with local needs. “The role of research and development is central in fulfilling the company-wide commitment to total customer satisfaction” states Mr. R. Seshasayee, Managing Director, and adds that the increased infrastructure and financial support expresses the company’s determination to become self-reliant in research and development.

Value to the Customer

The immediate research and development priorities are to pro-actively address safety and environmental issues, harness and adopt technologies that provide value to the customer in an atmosphere enabling creativity and innovation. Powering those who “engineer tomorrows” with an enabling infrastructure has been top priority for the company.
Test Tracks

Research and Development is not confined within walls. It extends to the test tracks as well. Rigorous tests are carried out under stringent simulated conditions that replicate the most treacherous landscapes. Vehicle ruggedness and longevity are a prime customer concern, as they directly impact earnings. Ever conscious of this, Ashok Leyland makes extensive use of modern CAD set-up, a comprehensive test track facility (Where cobble–stones are calibrated and reset periodically), accelerated fatigue testing rigs and rigorous durability testing facilities. Together they ensure that there is constant improvement in the life and on-road performance of every make of Ashok Leyland vehicle to hit the roads. Safety, durability, through their research and development efforts, has been their main concern.

Innovations

Ashok Leyland product development successes have come from a keen sense of anticipation and attentiveness. The company initiated research into alternative fuels well before legislative debate had even begun in the country. The result was the implementation of CNG technology ahead of the rest promising a breath of fresh air for polluted cities.

Major Milestones

Major Milestones in India’s commercial vehicle industry

Courtesy Ashok Leyland

1966 - Introduced full air brakes
1967 - Launched double-decker bus
1968 - Offered power steering in commercial vehicles
1979 - Introduced multi-axle trucks
1980 - Introduced the international concept of integral bus with air suspension
1982 - Introduced vestibule bus
1992 - Won self-certification status for defence supplies
1993 - Received ISO 9002
1997 - India’s first CNG powered bus joined the BEST fleet
2001 - Received ISO 14001 certification for all manufacturing units
2002 - Launched hybrid electric vehicle

4.5 Quality Policy

It is the objective of Ashok Leyland’s quality policy to achieve customer satisfaction by meeting the customer expectations in relation to the product and services offered by the company. Towards this objective, the quality policy of Ashok Leyland is

- To make continuous improvements in the products manufactured by the company as also in the services offered by the company.

- To enhance employee potential to contribute to quality by improving the knowledge and skills of the employees as appropriate to their functions.

- To induce in vendors, commitment to continuous improvement to meet quality standards.

4.6 IMPROVE

Improve is an annual company-wide event to record, recognize and Award employees for their positive involvement in organizational growth, innovation and customer satisfaction. The genesis of Improve emanates from
our beloved MD’s conviction that great ideas are not the prerogatives of top management; grass root level employees can bring out marvelous ideas and implement. Though the First Quality Circle by name Lotus was formed in 1988, the seeds for employee involvement through the platform of Quality Circles were sown in 1992 when we fine-tuned our quality system to ISO 9002 requirements.

Growth of QC movement was modest in the early stages. To accelerate the QC movement various initiatives were undertaken.

- Making TEI a company wide movement
- Training on QC Tools & Techniques
- Training for Quality Circle Members
- Weekly Presentations on projects

Since 1942, 411 nos. management presentations have been held and 822 projects implemented finding solutions for work related problems, productivity improvement, methods improvement, cost reduction, energy conservation, customer satisfaction, quality improvement and environmental management have been presented.

They have been participating in external competitions conducted by QCFI, CII, NIQR, AU - TVS at State, Regional and National level, annual in-house competitions. Creation of three platforms for employee involvement based on the nature and complexity of the projects. Quality circles for work place improvement projects, involving employees from the same work area.

Small group activity for resolution of department related projects involving employees and supervisors. The teams are project related and dissolved on completion of the project.
Cross functional teams are multi disciplinary teams with members from different functions and with varied skill sets.

4.7 INTER UNIT COMPETITIONS

Improve

An engine to propel the improvement initiatives in width and breadth and transform to a mass movement, Improve was launched in 1998, recognizing and awarding the best of the teams under the three leagues namely, Quality Circles (Work men), SGA’s (open) & CFT’s (Executives)

**Improve Contests Have Yielded the Following Fruits**

- A healthy growth of team culture
- Cross pollination of ideas and solutions
- Horizontal deployment of projects by other units
- Small but big step towards oneness of vision.
- Enhanced employee satisfaction as a result of recognition of talent and contribution
- Enriched knowledge asset of the company

Each unit of Ashok Leyland conducts Improve contests every year to select the teams from the unit for the National event. The Improve contests have witnessed substantial growth and improvement bears testimony of it.

**Progress of Improvement over the years –Team wise**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Teams</td>
<td>21</td>
<td>12</td>
<td>14</td>
<td>16</td>
<td>80</td>
<td>137</td>
<td>288</td>
<td>501</td>
<td>831</td>
<td>1154</td>
<td>1585</td>
</tr>
<tr>
<td>No. of employees</td>
<td>152</td>
<td>140</td>
<td>121</td>
<td>128</td>
<td>350</td>
<td>930</td>
<td>1305</td>
<td>1570</td>
<td>2305</td>
<td>3211</td>
<td>4396</td>
</tr>
</tbody>
</table>
Progress of Improvement over the years – Group wise

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Circles</td>
<td>36</td>
<td>118</td>
<td>190</td>
<td>267</td>
<td>427</td>
<td>550</td>
<td>455</td>
</tr>
<tr>
<td>Small Group activity</td>
<td>13</td>
<td>37</td>
<td>79</td>
<td>144</td>
<td>263</td>
<td>412</td>
<td>862</td>
</tr>
<tr>
<td>Cross Functional Teams</td>
<td>45</td>
<td>76</td>
<td>53</td>
<td>90</td>
<td>141</td>
<td>192</td>
<td>268</td>
</tr>
<tr>
<td>Total</td>
<td>94</td>
<td>231</td>
<td>322</td>
<td>501</td>
<td>831</td>
<td>1154</td>
<td>1585</td>
</tr>
</tbody>
</table>

4.12 BRIEF ANNUAL REPORT 2008 – 09

The global economic crisis had a severe adverse impact on the Indian economy, in the second half of the year. The commercial vehicle industry, which was already facing a slow down in the first half of the year, due to cyclical down turn, was suddenly faced with precipitous decline in demand from October 2008. Medium and heavy duty commercial vehicles segment was the worst affected in the automobile industry and the company could not escape the crisis. Consequently, sales of vehicles for the year declined by 35 % compared to the previous year.

The company lost 1.8 percentage market share in the Indian medium and heavy commercial vehicle market during the financial year 2008 – 09, mainly due to loss of sales in the truck segment. The company however continued to invest in the new product development, as originally planned. On the anvil is a whole new full range truck platform, to be introduced commencing 2010. Recently, the company got placed among the top ten in the ‘best companies to work for’ list as adjudged by business today – mercer – TNS. The data gathered was evaluated for six dimensions viz., people, work processes, managerial structure, information and knowledge, decision making and rewards.
The company has also maintained its profitable track record for 60 years. The annual turn over of the company was 1.4 billion USD in 2008 – 09. Selling 54431 medium and heavy vehicles during this period, Ashok Leyland is India’s largest exporter of medium and heavy duty trucks out of India. Profit after tax for the current year was Rs. 1900 million. This is comparatively lower than the previous year.

**Brief Annual Report 2009 – 10**

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 market.

**HRD Practices in Ashok Leyland**

The company has 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.

The company lost market share in Q1 of 2009-10. Market share dropped from 25.7 percent in 2008-09 to 17 percent in Q1 of 2009-10. During this period, the company switched over to ‘cash and carry’ policy in order to augment the liquidity and used this opportunity to run down stock in the distribution pipeline. At the same time, the Northern and Western parts of the country witnessed some revival from the downturn, whereas the Southern region remained in a slowdown phase. Moreover, at that time, buyers seemed to be less focused on the bigger multi-axle vehicles and trailers which are the
best selling products of the company. Reason for this buying pattern was lower availability of load in the market; hence smaller vehicles provide better capacity utilization.

Revival of the Southern market has helped the company regain most of its lost market share and overall, in year 2009-10, the company achieved 23.3 percent market share.

Engines business volume dropped by 11 percent compared to 2008-09. A total of 19,388 engines were sold by the company including 8,732 engines sold under the LEYPOWER brand of generators. Spare parts sales accounted for Rs.642 crores during 2009-10 against Rs.573 crores during previous year. Defence sales volume of the stallion kits registered a growth of 8 percent over last year and achieved a sales volume of 2,371 units. Several steps were taken to contain costs and conserve cash. The company worked only at about 50 percent of the working week in all its manufacturing units during first half of the year. Overall, the company produced 64,673 vehicles in the year compared to a production of 54,049 units in previous year, an increase of 20 percent, due to rise in demand in the latter half of the year.

To remain competitive whilst adding value to the customer, the company introduced the U-Truck, its latest range of products during Auto Expo in January 2010. The U-Truck range is designed and developed in line with the company’s strategic objective of becoming a low cost producer alongside maximizing of customer value. This range provides a flexible platform to meet various customer requirements (different applications, emission norms, load requirements) through a large number of variants / combinations can be derived from a small number of modules in a shorter time frame.
From this chapter it is clear about the past trend and future course of action of the company. Next chapter deals with the analysis of quality circles and workers perceptions, workers participation in management, workers performance, motivation and its effectiveness.