

AB Volvo & Eicher Motors Investor's Meet

March 28th , 2012 - Pithampur

Journey of VECV

Vinod Aggarwal, CEO

 **VE COMMERCIAL VEHICLES** 
A VOLVO GROUP AND EICHER MOTORS JOINT VENTURE

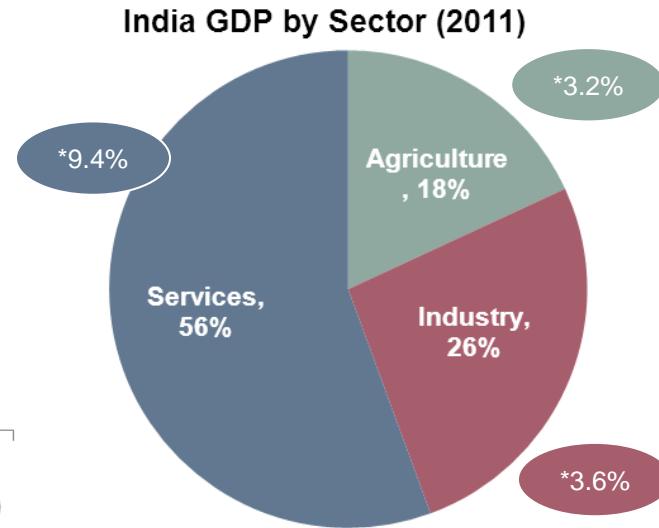
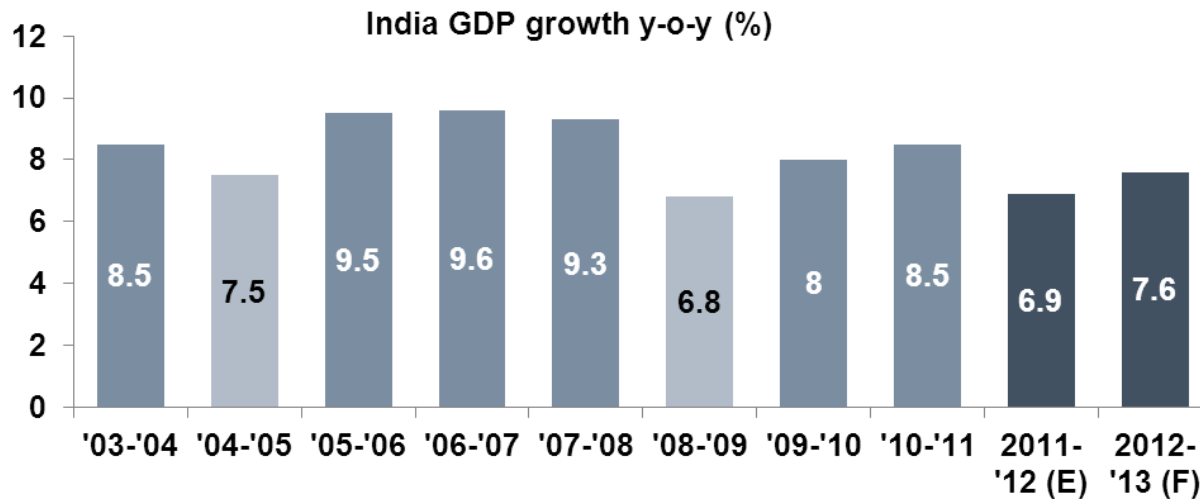
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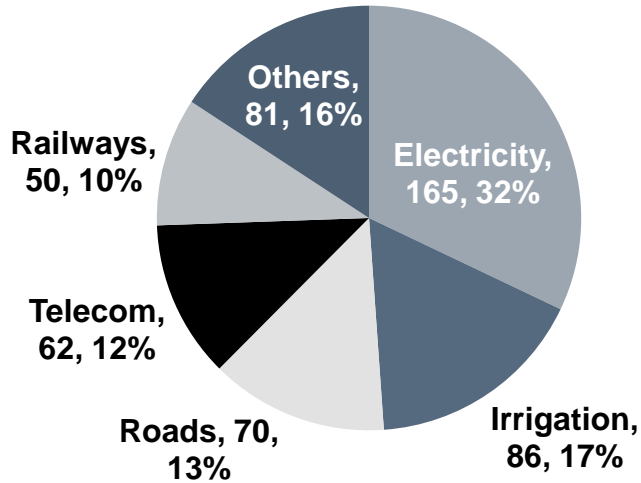
* %growth in April to Dec 2011

- India GDP @ 1.85 TUSD Nominal GDP (2011) is the 9th largest; 3rd largest by PPP at 4.47 TUSD.
- Economy bounced back strongly from downturn in 2008-'09 with 8% y-o-y GDP growth
- Favorable demographics , fast growing middle class; 1.2 Billion population , driving domestic demand
- High inflation, fiscal deficit ,subsidies and slackness in public delivery mechanism impediments to growth

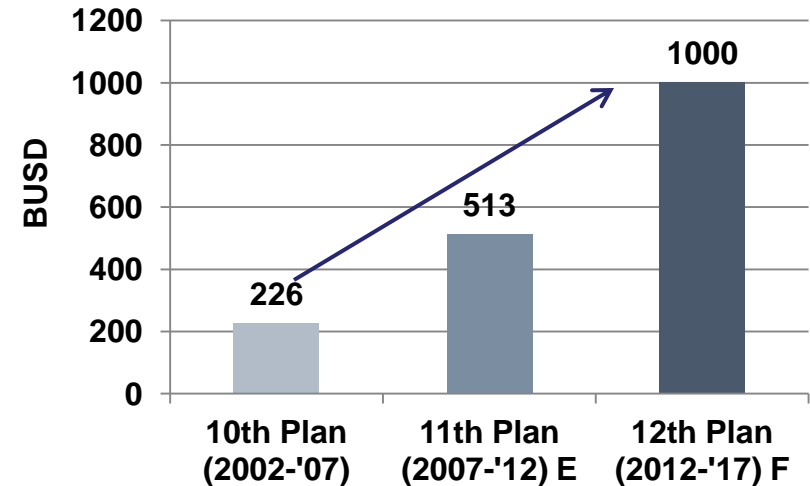
Despite Short term challenges , macro economy fundamentals remain strong

India Infrastructure Outlook

11th Plan Investments BUSD (2007 - '12)



Infrastructure investments



- 2011 – '20 projected as decade of infrastructure with plan of 1 TUSD in 12th five year plan (2012-'17)
- 55455 kms Highway planned under the National Highway Development Project (NHDP) of which only 16800 completed – bulk of work in coming years
- NHDP needs investment of over 60 BUSD, 60% of which will come from Public Private partnerships
- Up gradation of highways registered 9% growth during April-Dec 2011, with addition of over 1200 kms
- On schedule to award 7300kms in current fiscal (2011-'12) ; 8,800 kms planned in 2012-'13 fiscal

Even an efficiency of 70% execution of planned investments in infrastructure will be strong boost for CV..

Note: Plan projections are at 2006-07 price levels. An exchange rate of \$1= Rs.40 has been used to ensure comparison at 2006-07 price levels.

Strong Drivers for CV Segment

Demand drivers

Strong domestic economy with untapped rural market

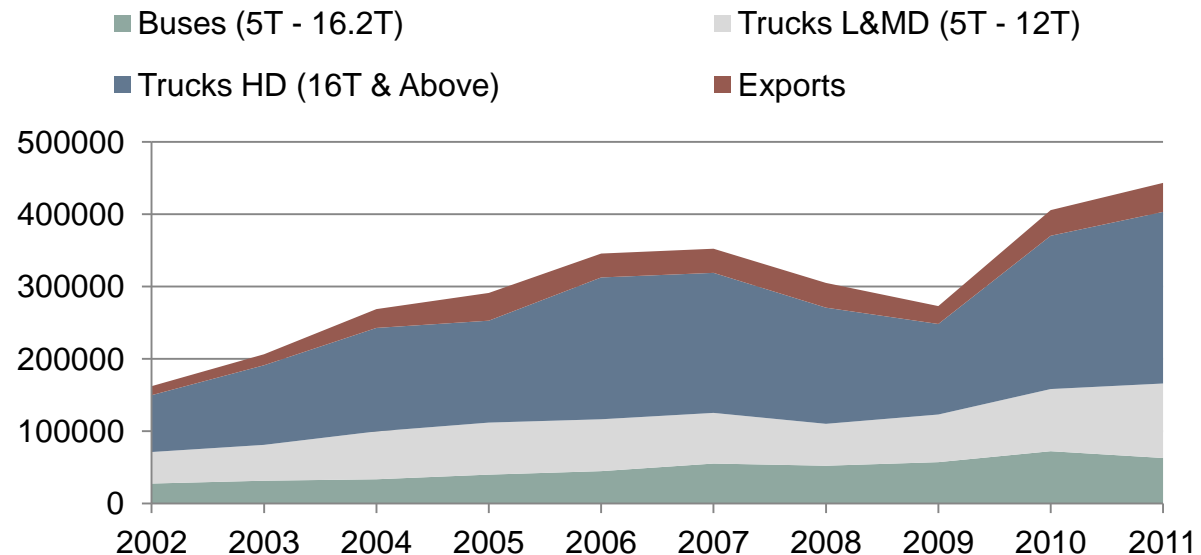
12th Five year plan ambition – huge focus on infrastructure

Strict implementation of ban on overloading

Growth of tier-2 cities – legal limit for town operations

Focus on sustainable, efficient urban mobility systems

5-49 T CV Segment: Domestic and Exports



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Buses (5T - 16.2T)	27635	31547	33521	39928	44759	55262	52259	57186	72300	62950
Trucks L&MD (5T - 12T)	43580	49558	66175	71941	71709	70023	57907	65877	85952	102972
Trucks HD (16T & Above)	78616	110028	143079	140913	196074	193610	160603	125173	211934	237253
Exports	12460	15256	26034	38353	33058	33361	34222	24726	35448	40134
Total	162291	206389	268809	291135	345600	352256	304991	272962	405634	443309

...VECV Milestones since inception...



May 2008: Signing of definitive agreements
Jul – Aug 2008: Commencement of JV



Oct 2008: Volvo Board Visit



Jan 2010: Launch of VE-series of Eicher HD trucks



May 2010: Launch of MDE Project



April 2011: Reliability Lab Inauguration



Inauguration of a new 3 S dealership
Aggressive addition of Channel touch points – one every 2 -3 weeks in 2011



Dec 2011: Agreement signed up with UD for Cabin technology



Feb 2012: inauguration of State of the Art Transient Test Cells at Engine Development Centre

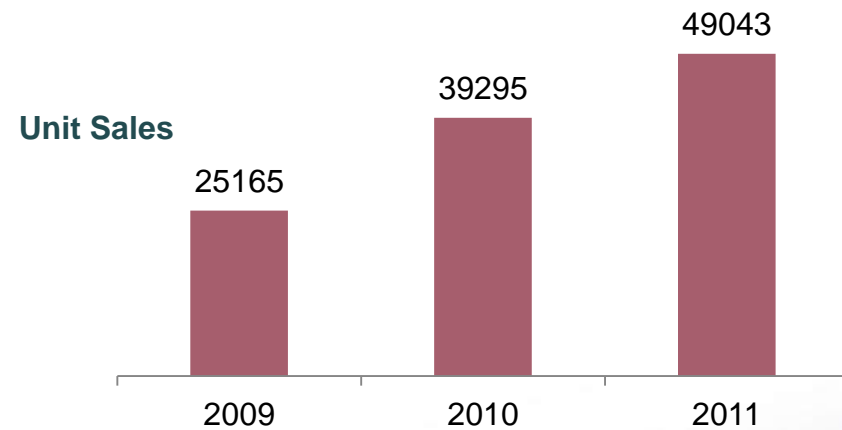


Feb 2012: Ground Breaking ceremony for Bus Body Plant

“Moving ahead” incorporating the best of both worlds

VECV Strategic Direction

- To be recognized as the industry leader driving modernization in commercial transportation in India and the developing world
- Ambition to reach 100,000 unit Sales by 2015
- Innovative products covering the entire product range
- Comprehensive network with complete geographical coverage

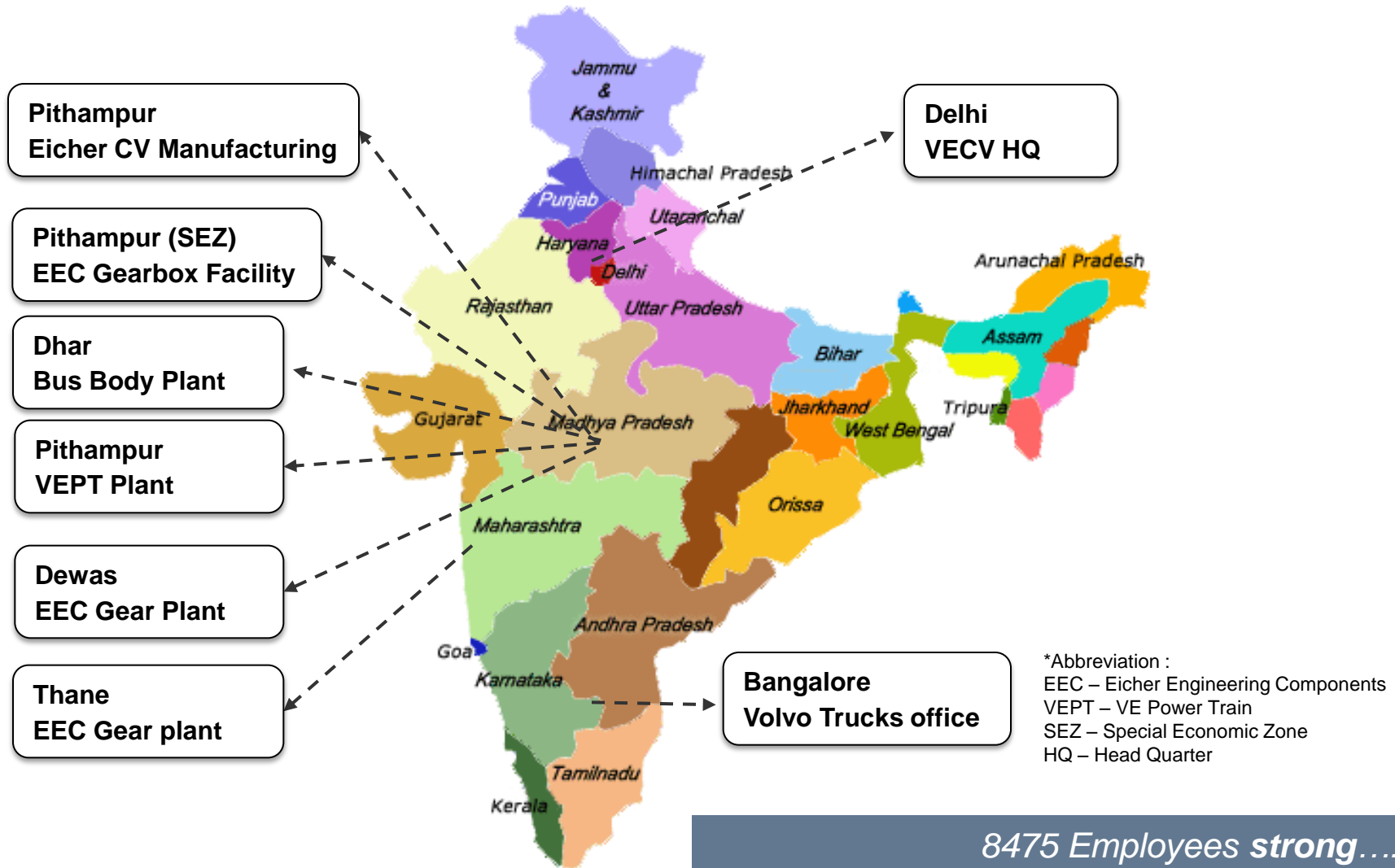


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A VOLVO GROUP AND EICHER MOTORS JOINT VENTURE

VOLVO

EICHER

VECV Establishment



*Includes outsourced employees

8475 Employees strong....

Strong Corporate Governance

- Institutionalized strong Corporate Governance at VECV
- 3 members from AB Volvo and 3 members from EML on VECV Board
- Strong Management Team.

Aligning with Volvo AB new organization structure

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VOLVO

EICHER

VECV Board



Par Ostberg
VECV Board Chairman



Siddhartha Lal
EML



Bertil Thorén
AB Volvo JV Group



Philippe Divry
AB Volvo JV Group

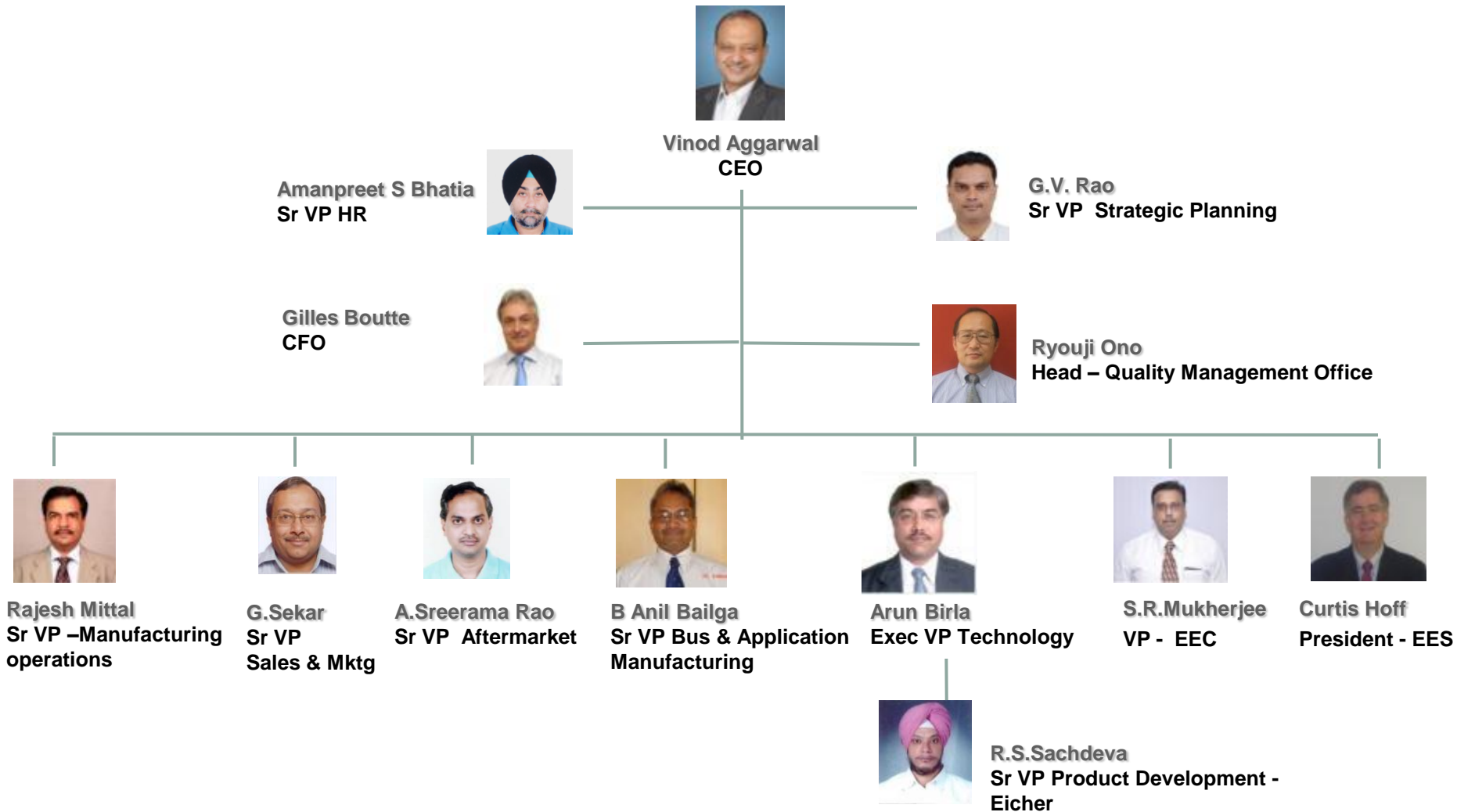


Raul Rai
EML

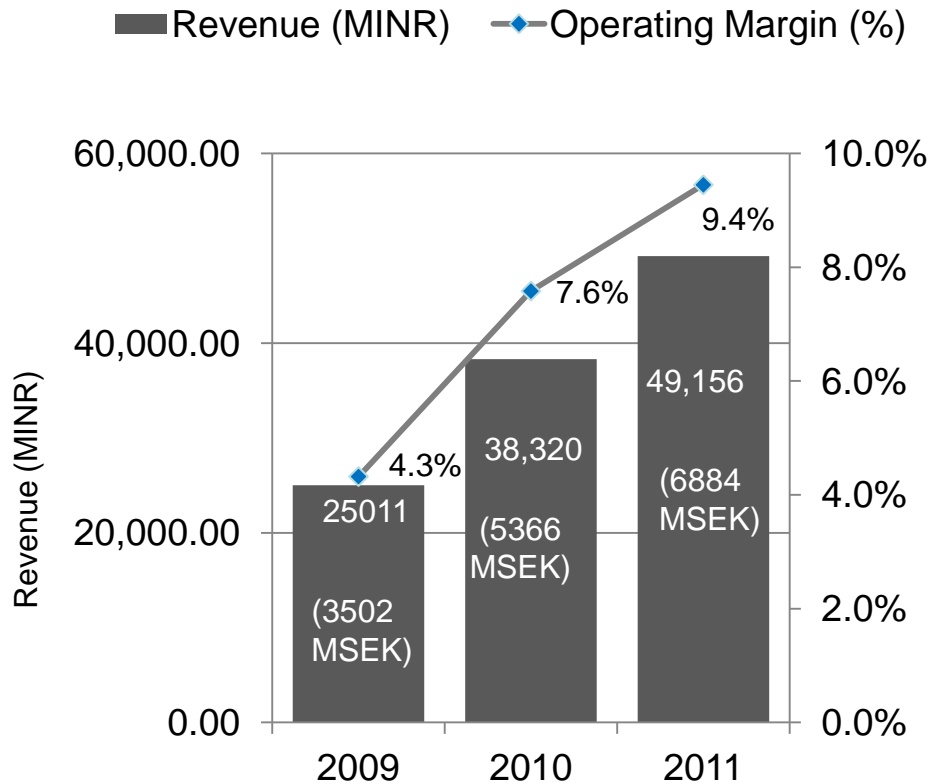


Prateek Jalan
EML

VECV Executive Management Council



VECV Performance



1 SEK = 7.14 INR

2011 Performance

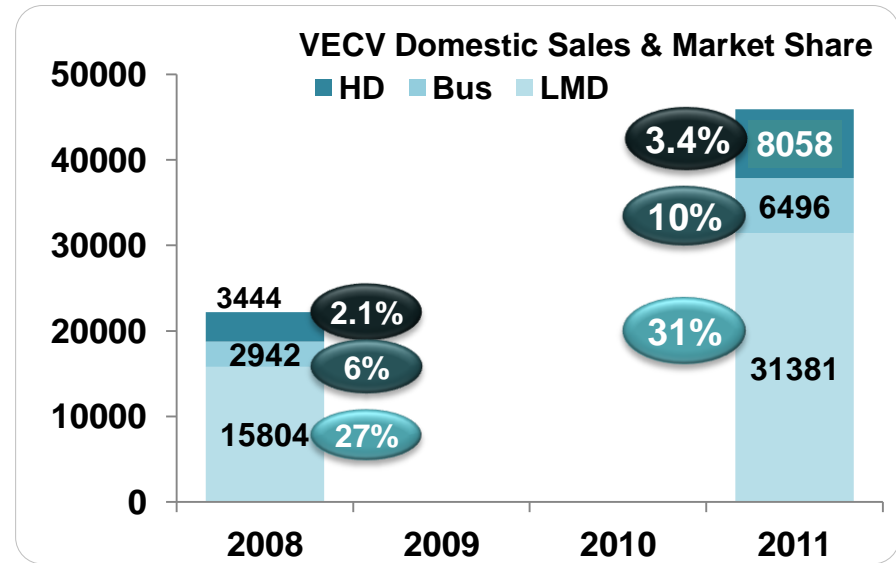
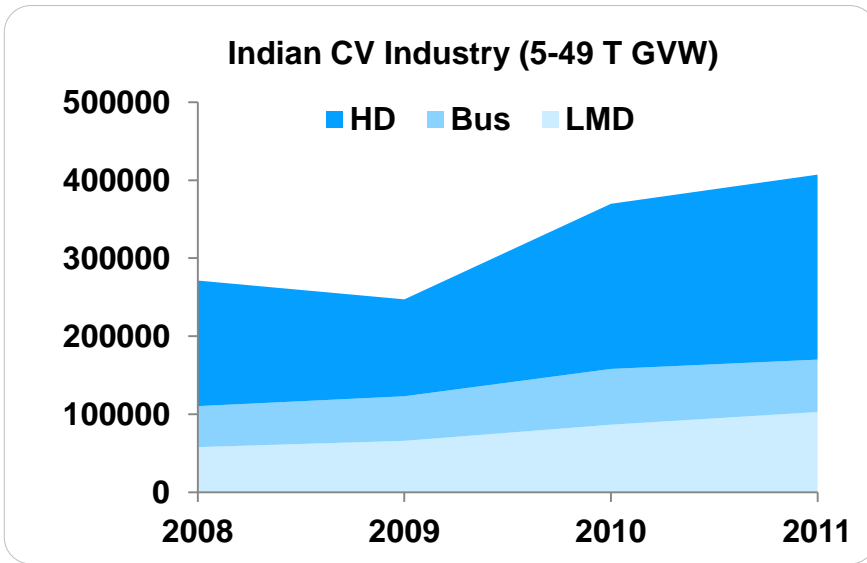
Return on Equity (ROE)	24%
Return on Capital employed (ROCE)	95%
Operating Margin	9.4%

Historical Parameters

Cash generation since inception of JV:	12 BINR / 1.7 BSEK
Capex Incurred:	7 BINR / 1 BSEK
Dividend distributed to Share holders	1.7 BINR / 238 MSEK
Cash Surplus added	3 BINR / 420 MSEK
Surplus cash on Balance sheet	12 BINR / 1.7 BSEK

Strong recovery from downturn in 2008/09 with steady progress in Operating margin

Robust Industry growth *outpaced by VECV*



Industry grew by 14% CAGR in last 3 years, while VECV grew at CAGR of 27%.

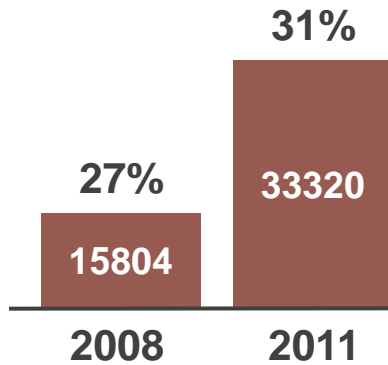
Wide Product range from 5T to 49T GVW Trucks and 21 to 69 seater buses

Best known brand for Fuel Efficiency

Large opportunity in HD segment

Overall VECV market share in 5-49 T CV Segment grew 8.2% in 2008 to 11.3% in 2011

LMD Trucks: *on a strong footing*



Creating
New
Products &
New
Segments

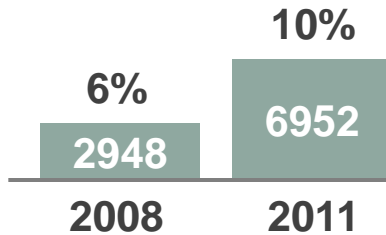
	10.55	10.80 XP Tipper	11.10 XP	10.59 XP CNG	10.95 CNG
2010					
2011/12					
		New E2 plus	11.14	11.10 XP Container	11.12 XP

Increase Geographic Coverage

Increase Market Penetration

Enhance Value Delivery

Buses: *Dual Range, increased penetration*



Starline

Skyline

Creating
New
Products &
New
Segments

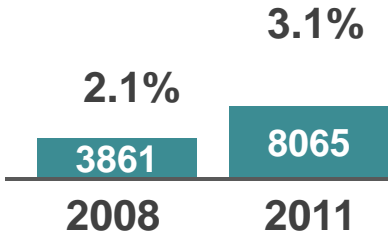
	Skyline	Starline	10.90 L CNG	10.50 CNG
2009/10				
2011				
	BS IV	20.15 Chassis	Skyline 20.15	Rear-Engine SLF

Increase Geographic Coverage

Market development through Brand building

Focus on growth in all customer segments

HD Trucks: *Strong inroads, biggest opportunity*



Launched in Jan 2010

Creating New Products & New Segments

	VE Series-Jan	35.31 26ft	30.25 All terrain
2010			
2011			
	Terra 25	Terra 16XP	20.16 R FCWC

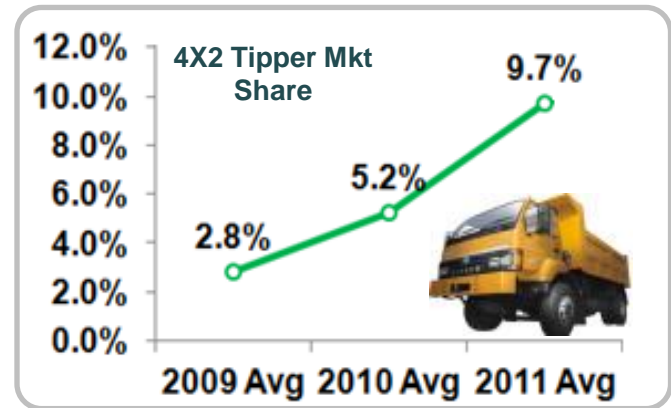
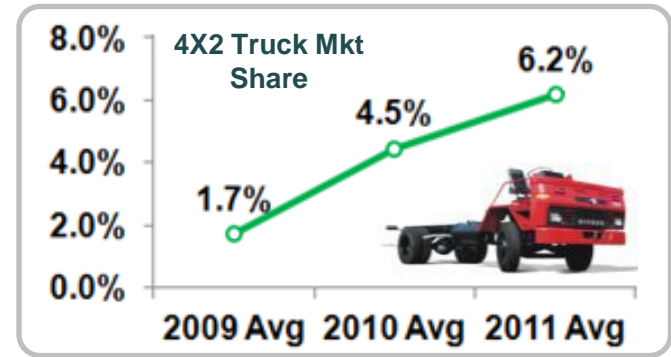
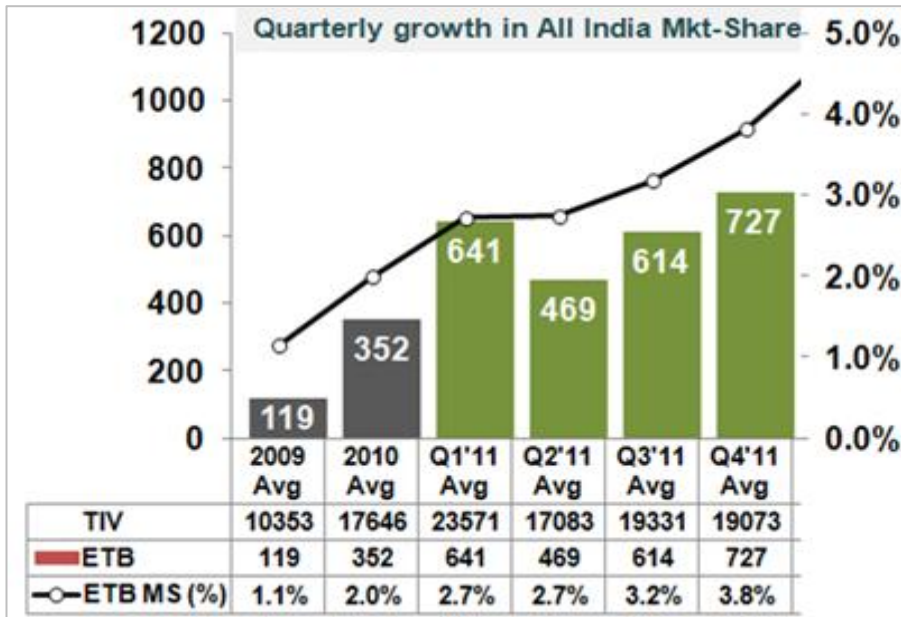
Increase Geographic Coverage

Augmenting Service & Parts availability

Focus Locations & Focus Products

Ramping Feet on Street

HD Gaining Momentum through VE Series



VE Series Grew by

Industry Grew by

12%
Growth



74%
Growth



HD VE Series grew 6 times more than Industry

Repeat purchases of VE Series account for almost 1/3 rd of sales

Volvo Trucks Product Range in India

Distributed by VECV



FM 370 / 400
6X4R

FM 400
8X4R

FMX 440
8X4R

FH 520
6X4 Puller

FM 400
6X4T

FM 400HD
6X4T

FM 480
6X6T

70% Market share in European segment...defining premium trucks business in India ...

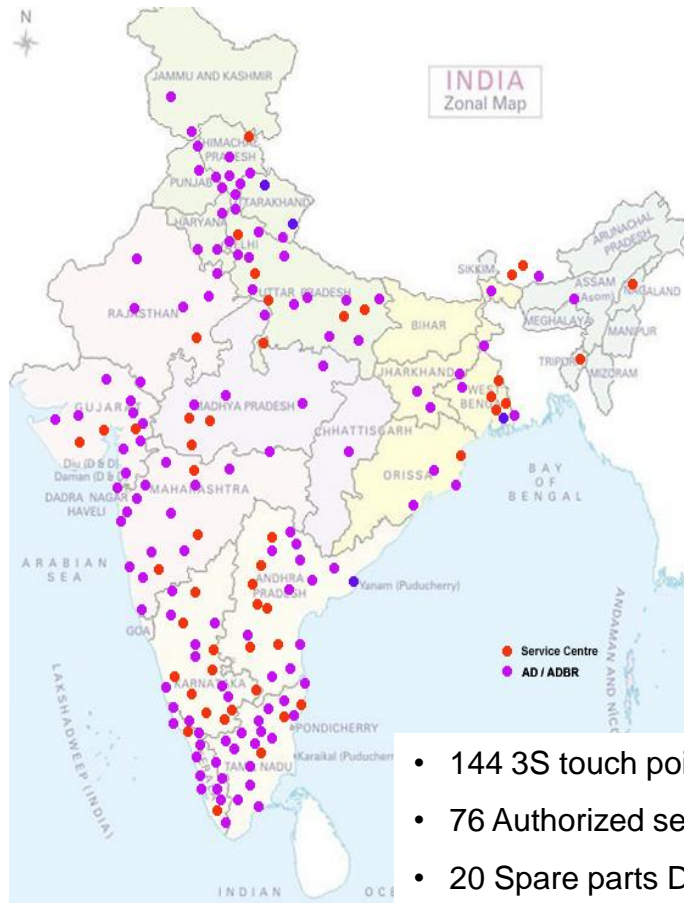
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VOLVO

EICHER

VECV Trucks and Buses Distribution network

Eicher Truck & Bus Network



220 touch points and growing...

Volvo Truck & Bus Network



Over 150 touch points with customized aftermarket model...

After-market Parts Proliferation



New Parts warehouse at Pithampur



Under commissioning



Front End Parts proliferation

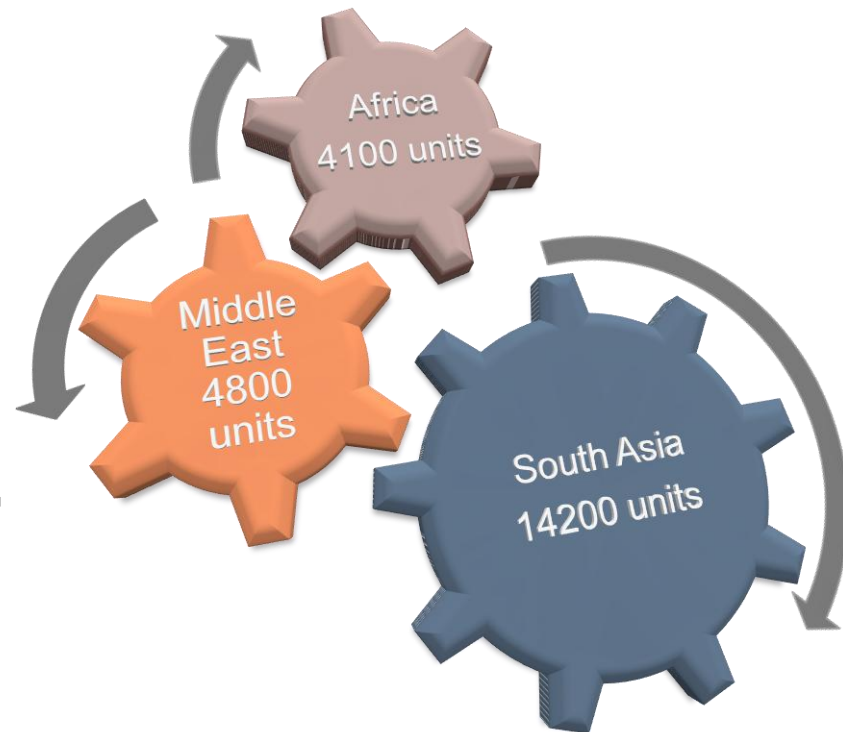
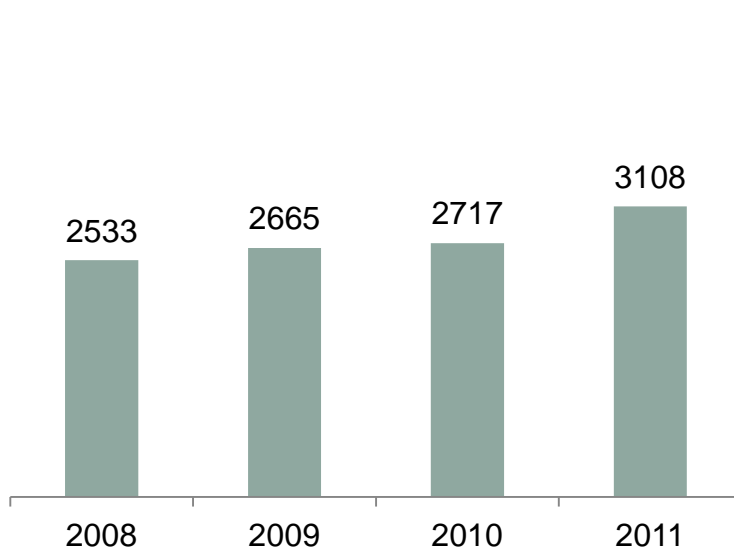
Expanding
consumption
Touch points &
Distribution
reach



Ordering &
delivery of
Parts in time

Use of
Technology &
Volvo best
practices for
planning &
Logistics

VECV Exports focus in emerging Markets



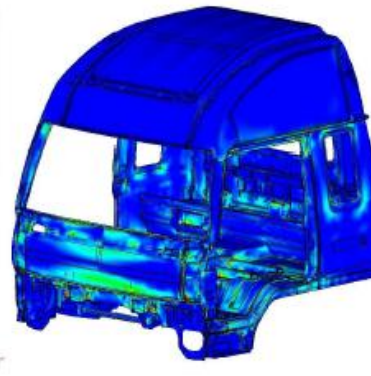
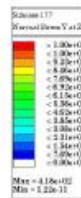
Presence in 22 Countries.

Export Strategy: Leveraging Volvo Distribution and develop Country-specific products

Product Development and Manufacturing

Frugal Engineering and lean manufacturing setup

- Product Development spend is 2.0~2.5% of the Turnover
- PD Manpower of 300 in 2011 will be going up to 450 by 2012
- HD Platform indigenously developed at very low cost.
- End – End product development capability – Fully Equipped Engine, Transmission & Vehicle Development Center
- Cab weld shop with robotic welding and integrated testing facilities
- State of the art CED Paint Shop under commissioning
- Extensive Supplier base with Strategic Ancillaries located around Indore



VE Powertrain (VEPT)

Paving way for technology leadership

- Global engine platform for Medium Duty Engines (5 litre and 8 litre) for Volvo Group .
- Investments of 3.25 BINR / 450 MSEK for industrial infrastructure and 1.25 BINR / 175 MSEK for Product development
- Planned capacity of 100,000 engines in a phased manner; SOP July'13 .
- Euro 6 compliant Engines for Volvo Group.
- Same engine platform being adapted for Euro 3 and Euro 4 needs for VECV as well as Volvo Group .



New Bus Body building plant



- Create in-house capability for building bus bodies
- Investment of 1.25 BINR / 175 MSEK in phase-1; 1.8 BINR / 252 MSEK in phase-2
- Annual Capacity : 10,000 units, Phase-1 capacity 5000 units
- Product Range: Light, medium and heavy buses
- Rear engine semi low floor buses for school, city and inter-city bus segments.



Other VECV Business Areas

Components and Engineering Solutions

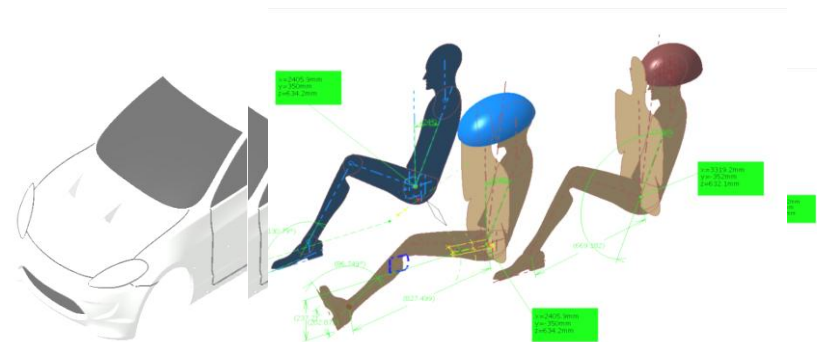
Eicher Engineering Components (EEC)

- Strategic supplier of drive line components to Eicher Trucks and Buses, with ambition to supply to the Volvo Group in the future
- Annual turnover of 2700 MINR / 385 MSEK in 2011.
- Three production facilities: Thane, Dewas and SEZ, Pithampur
- New plant under construction in Dewas



Eicher Engineering Solutions (EES)

- Annual turnover of 581 MINR / 83 MSEK in 2011
- Comprehensive product development services - Class A surfacing, CAD, CAE, prototyping, etc.
- Supplying to Global Clients such as JCB, TEREX, Navistar, GM, Nissan etc besides in-house Eicher requirements.



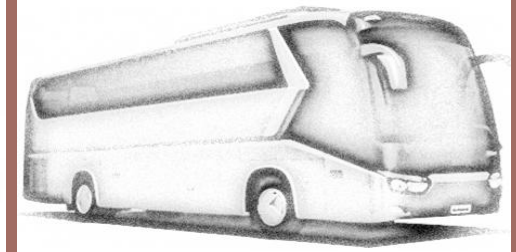
Complete Product Renewal

Changing Landscape

- Road Infrastructure improving, hence faster movement possible
- Changing Transport economy dynamics
- Emission norms to BSIV(Euro 4)



Future



- ❑ Sustained Fuel-efficiency Edge
- ❑ Enhanced Reliability, Durability & comfort
- ❑ Contemporary design with value-added features

Current



VOLVO



EICHER

Processes &
Technology

Frugal Engineering &
Local expertise

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Key areas of Synergy with AB Volvo

- ❑ Product Development process
- ❑ Technology areas, like
 - ❖ Engine
 - ❖ Cabin
 - ❖ Vehicle analysis & Simulation Softwares
- ❑ Quality Management Office .- CSI1 initiatives with support from UD.
- ❑ Productivity Management Office with support from UD
- ❑ Volvo Parts for effective Parts Proliferation
- ❑ Components business growth
- ❑ Leveraging Distribution network for Exports markets
- ❑ Selling and After Sales Processes



Thank You!

 **VE COMMERCIAL VEHICLES** 
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