

# AB Volvo & Eicher Motors Investor's Meet

March 28<sup>th</sup> , 2012 - Pithampur

## Journey of VECV

Vinod Aggarwal, CEO

 **VE COMMERCIAL VEHICLES** 

A VOLVO GROUP AND EICHER MOTORS JOINT VENTURE

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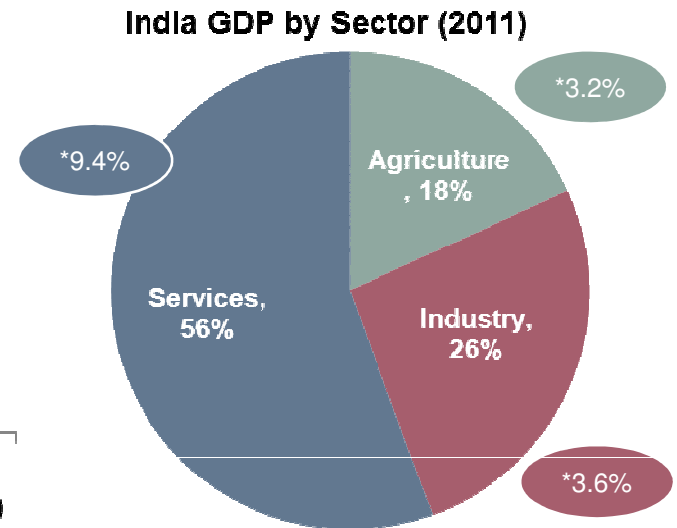
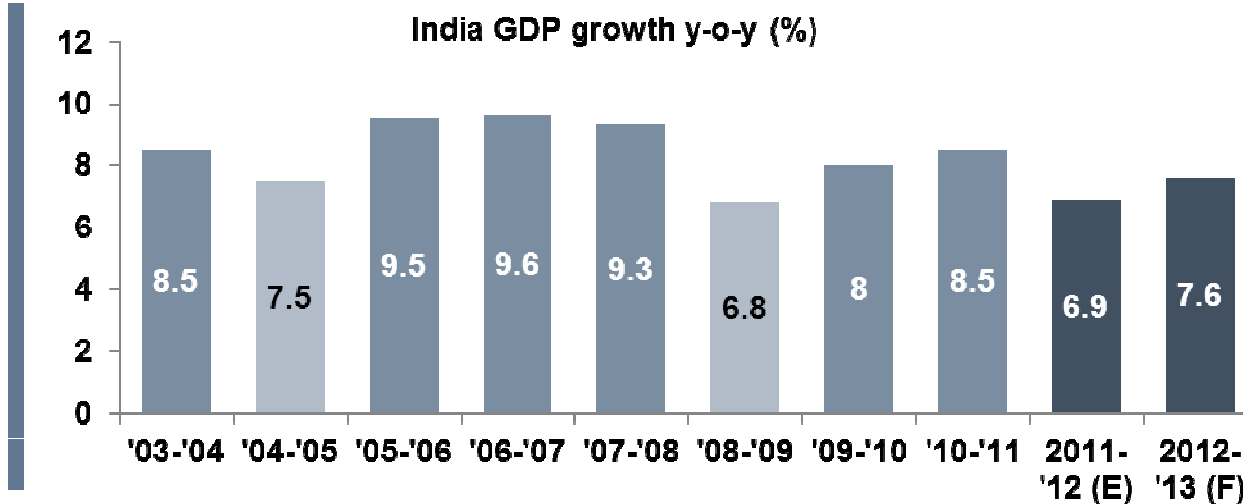
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# Indian Economy

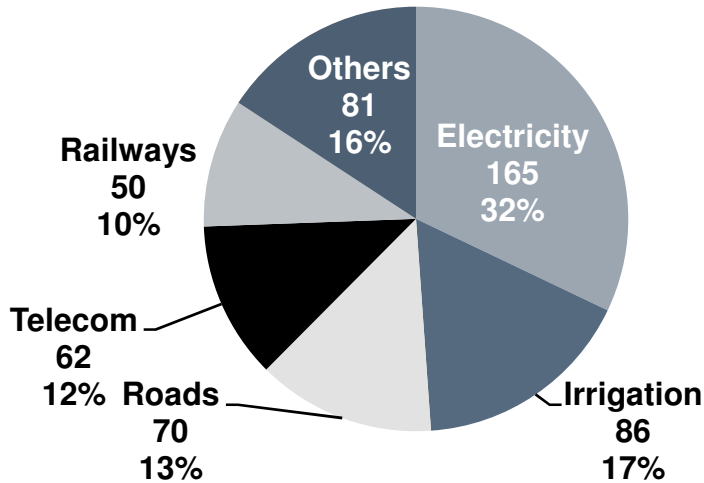


- India GDP @ 1.85 TUSD Nominal GDP (2011) is the 9<sup>th</sup> largest; 3<sup>rd</sup> largest by PPP at 4.47 TUSD.
- Economy bounced back strongly from downturn in 2008-'09 with 8% y-o-y GDP growth
- Favorable demographics , fast growing middle class; 1.2 Billion population , driving domestic demand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

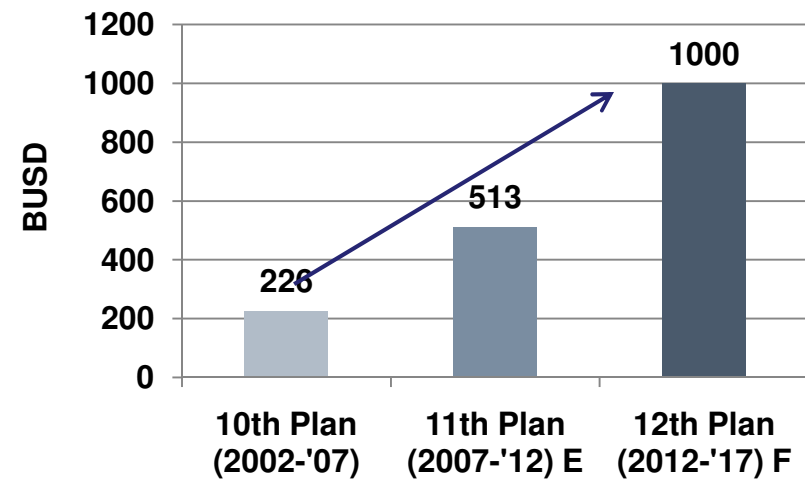
*Despite Short term challenges , macro economy fundamentals remain strong*

# India Infrastructure Outlook

11th Plan Investments BUSD (2007 - '12)



Infrastructure investments



- 2011 – '20 projected as decade of infrastructure with plan of 1 TUSD in 12<sup>th</sup> 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.

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# Strong Drivers for CV Segment

## Demand drivers

Strong domestic economy with untapped rural market

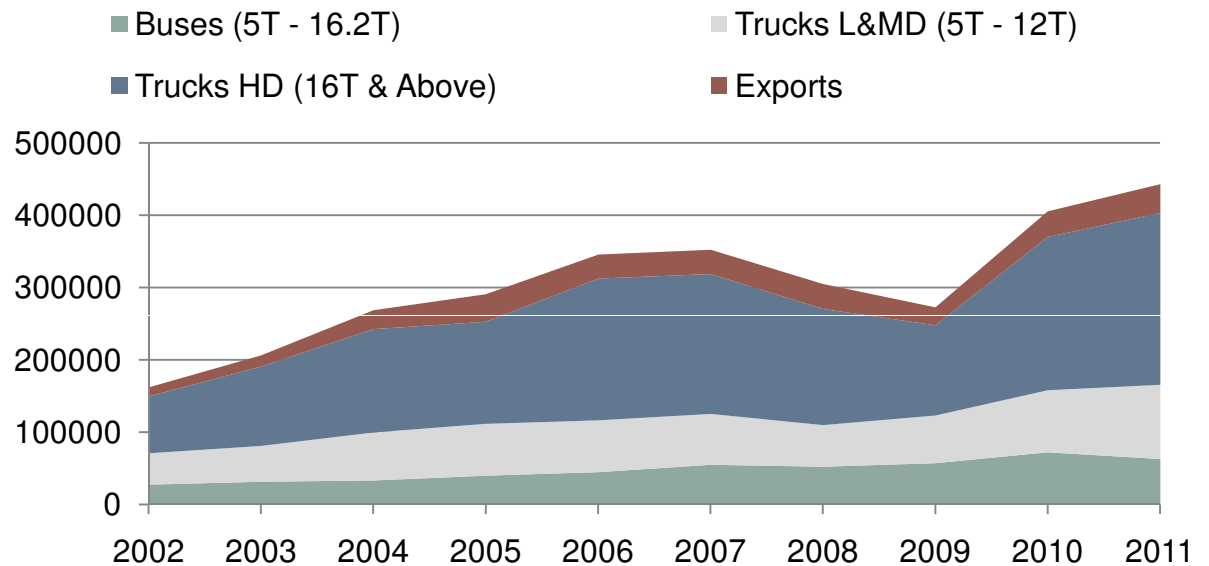
12<sup>th</sup> Five year plan ambition – huge focus on infrastructure

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

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# ...*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

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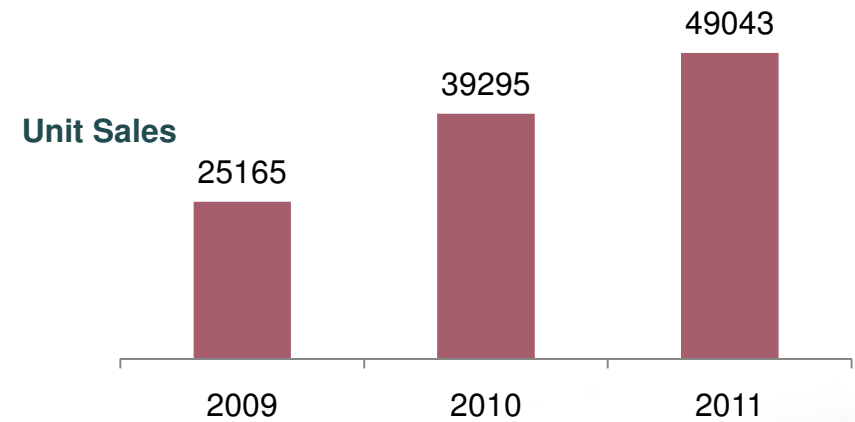
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# VECV Strategic Direction

- 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



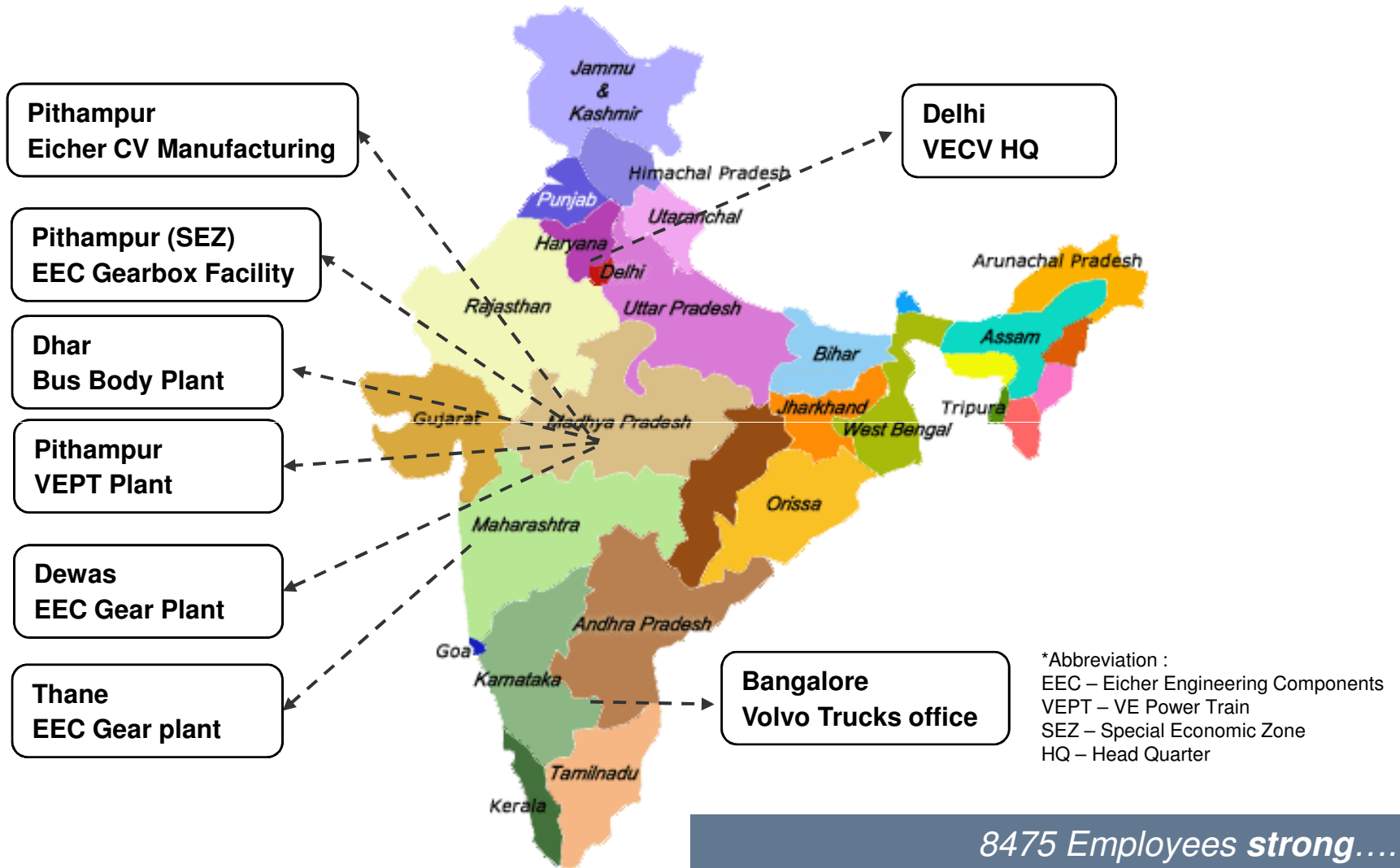
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# VECV Establishment



**8475 Employees strong....**

\*Includes outsourced employees

# 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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# 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

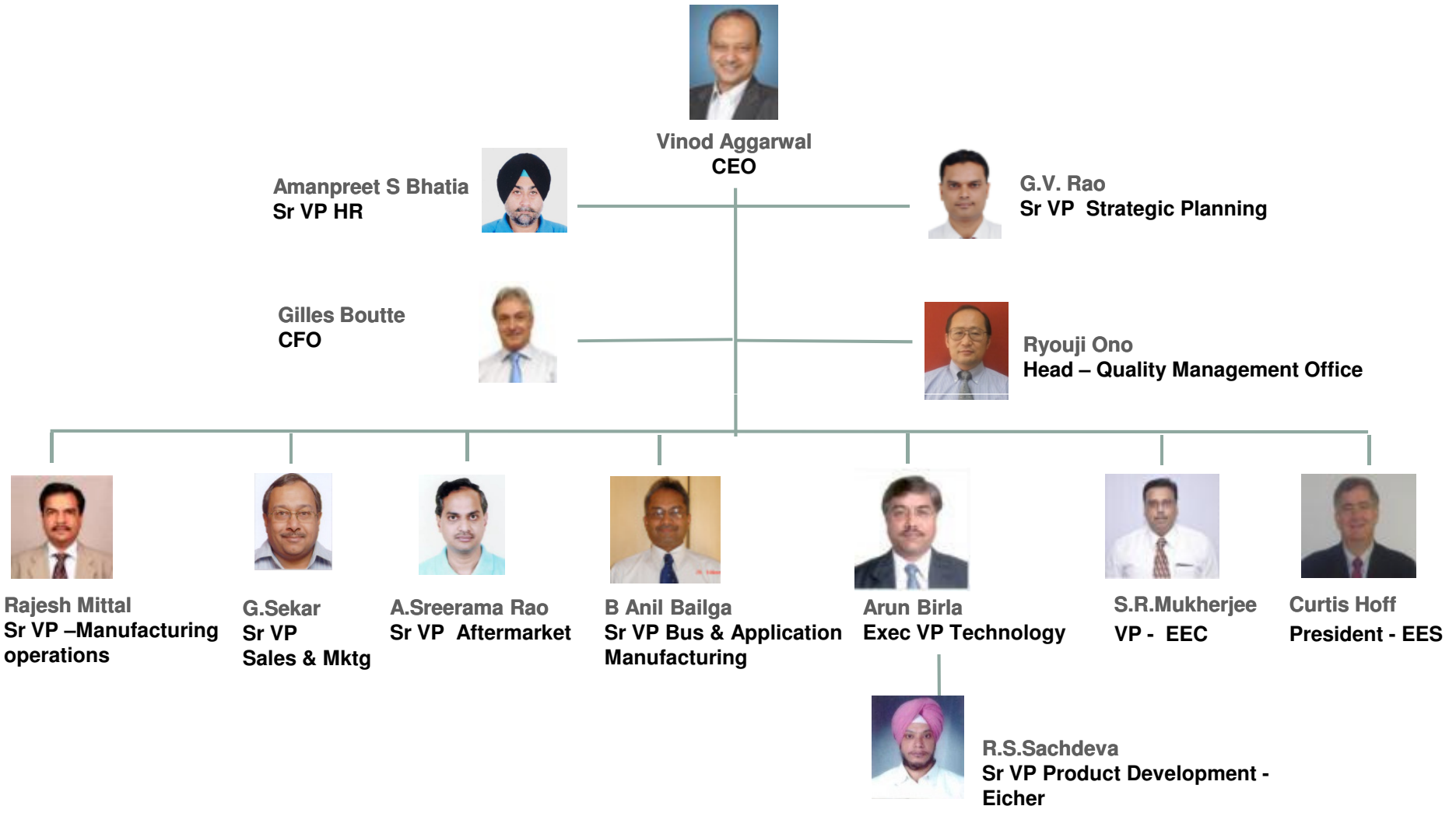
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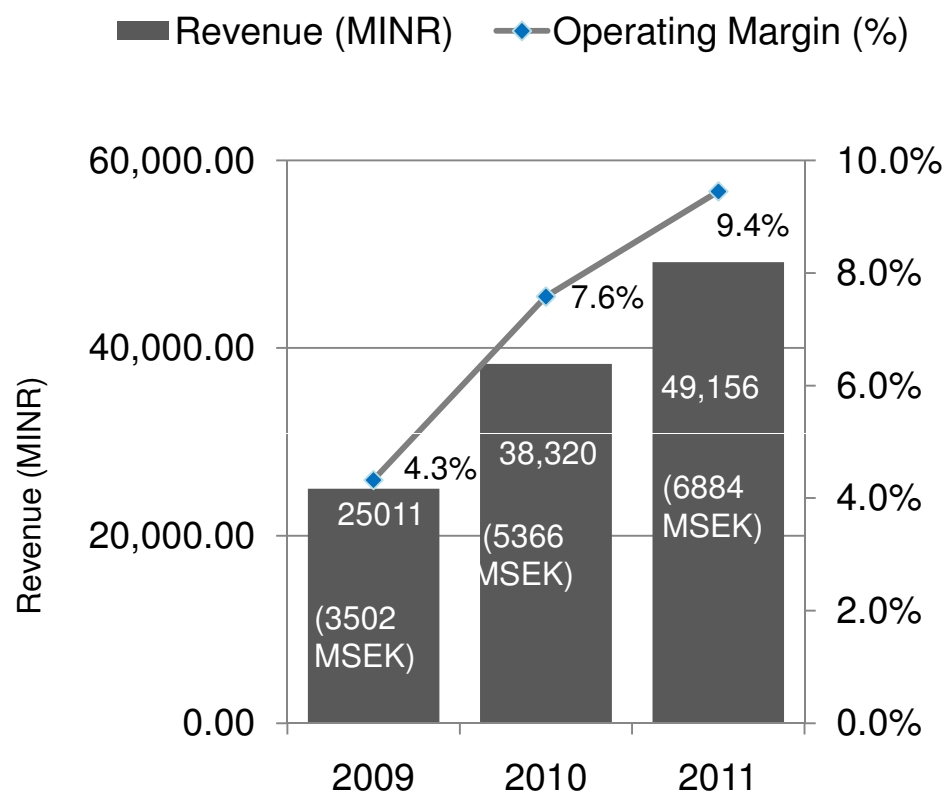
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# VECV Executive Management Council ---



# 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*

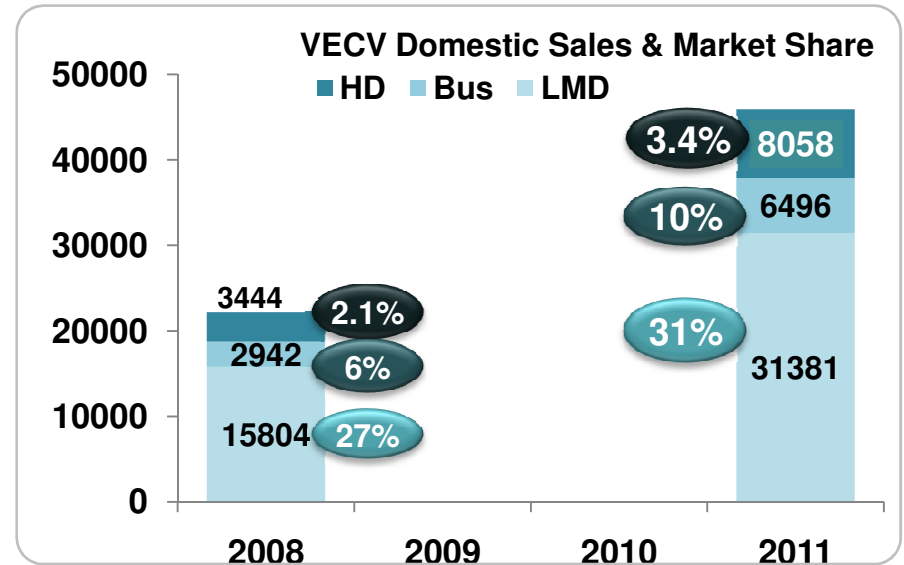
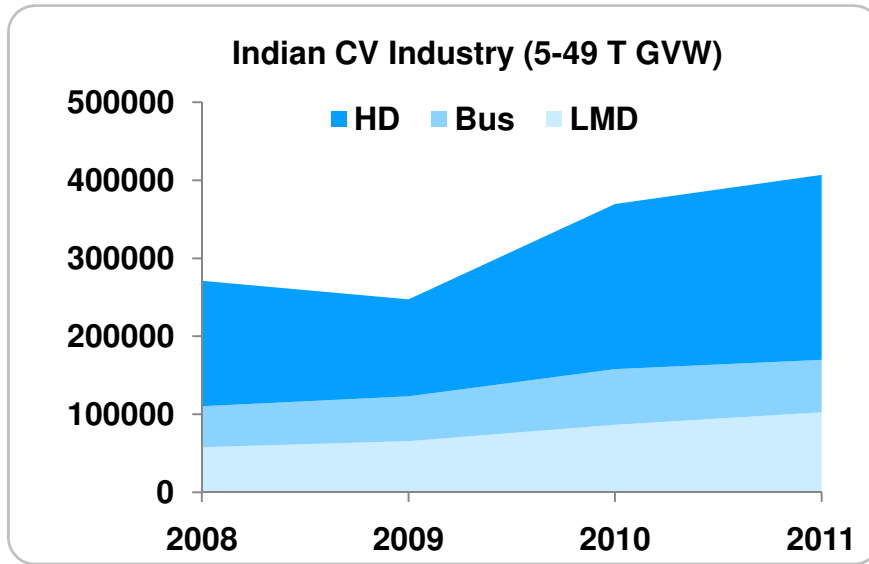
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# Robust Industry growth .... *outpaced by VECV*



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

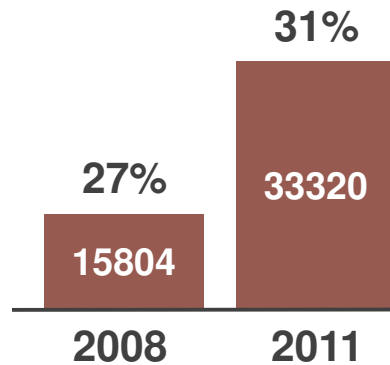
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# LMD Trucks: *on a strong footing*



Creating  
New  
Products &  
New  
Segments

	10.55	10.80 XP Tipper	11.10 XP	10.59 XP CNG	10.95 CNG
2010					
2011/12	 PRESENTING <b>EICHER</b> <b>'Mileage ka Badshah'</b> in a New Avastar.				
		<b>New E2 plus</b>	<b>11.14</b>	<b>11.10 XP Container</b>	<b>11.12 XP</b>

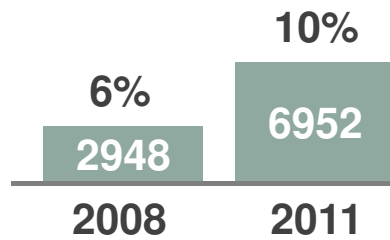
Increase Geographic Coverage

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

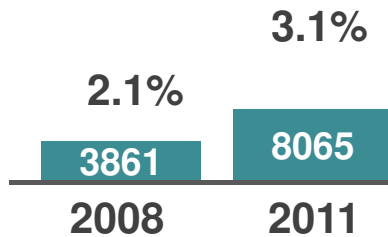
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# HD Trucks: *Strong inroads, biggest opportunity*



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

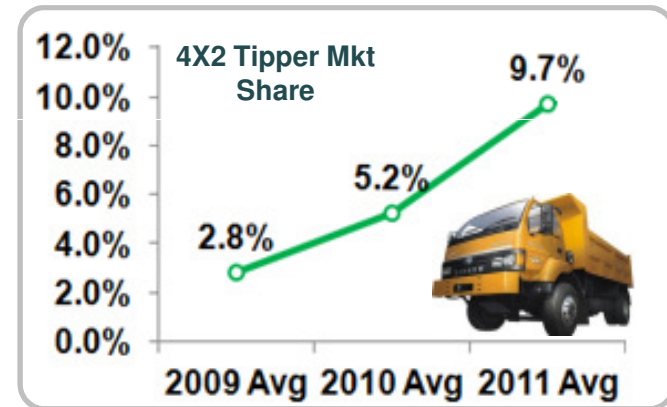
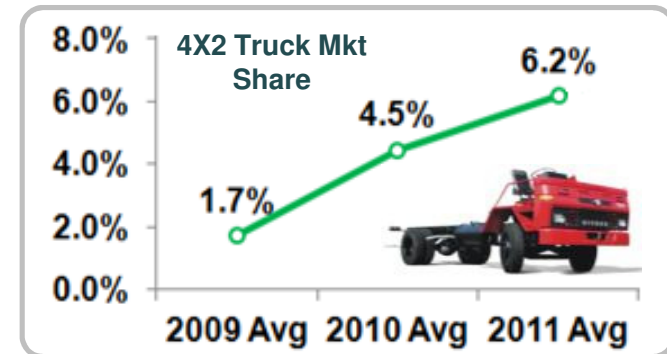
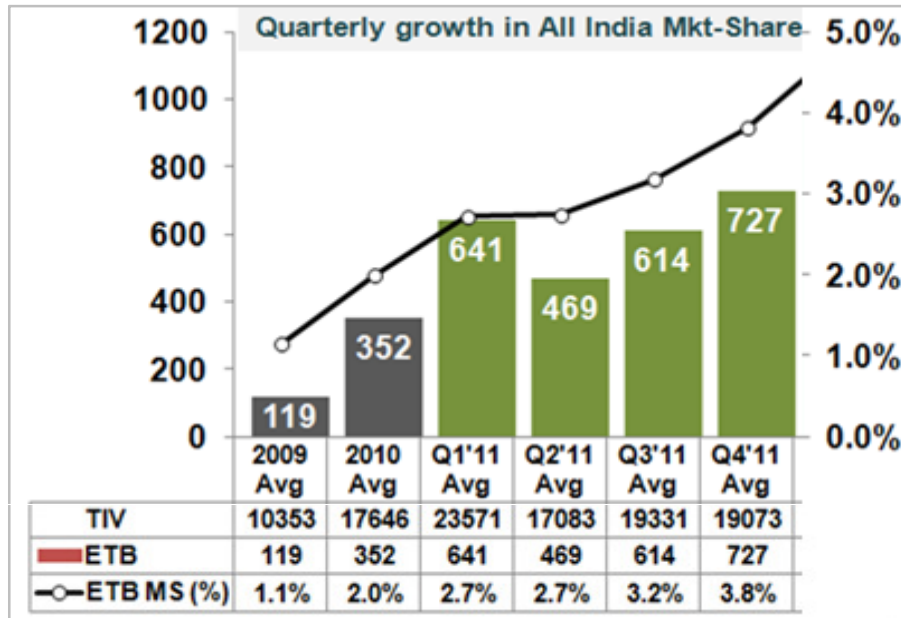
Increase Geographic  
Coverage

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

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# 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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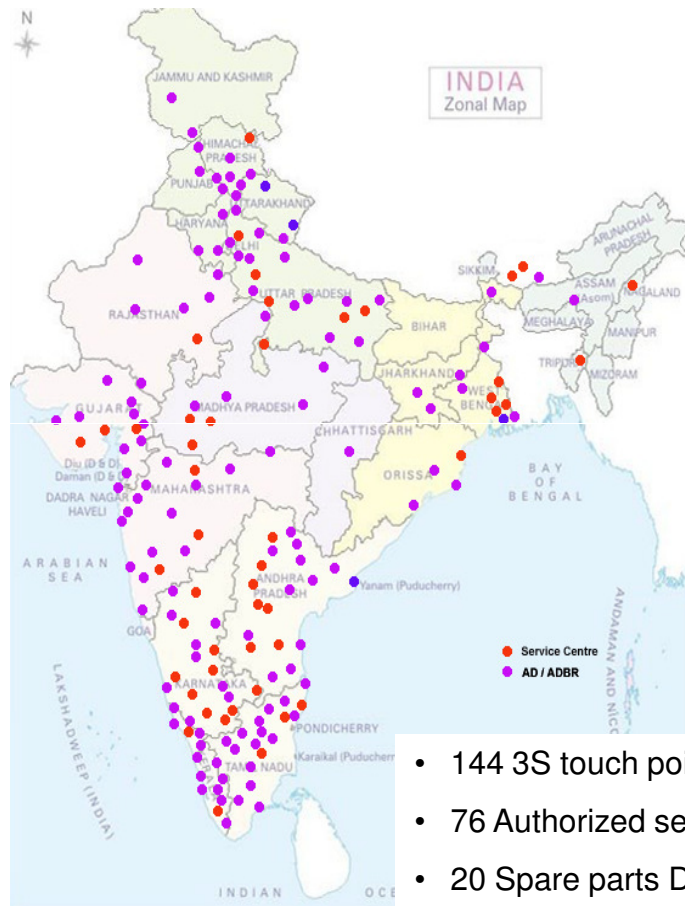
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# VECV Trucks and Buses Distribution network

## Eicher Truck & Bus Network



220 touch points and growing...

## Volvo Truck & Bus Network



Over 150 touch points with customized aftermarket model...

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# After-market Parts Proliferation



## New Parts warehouse at Pithampur



Under commissioning



## Front End Parts proliferation

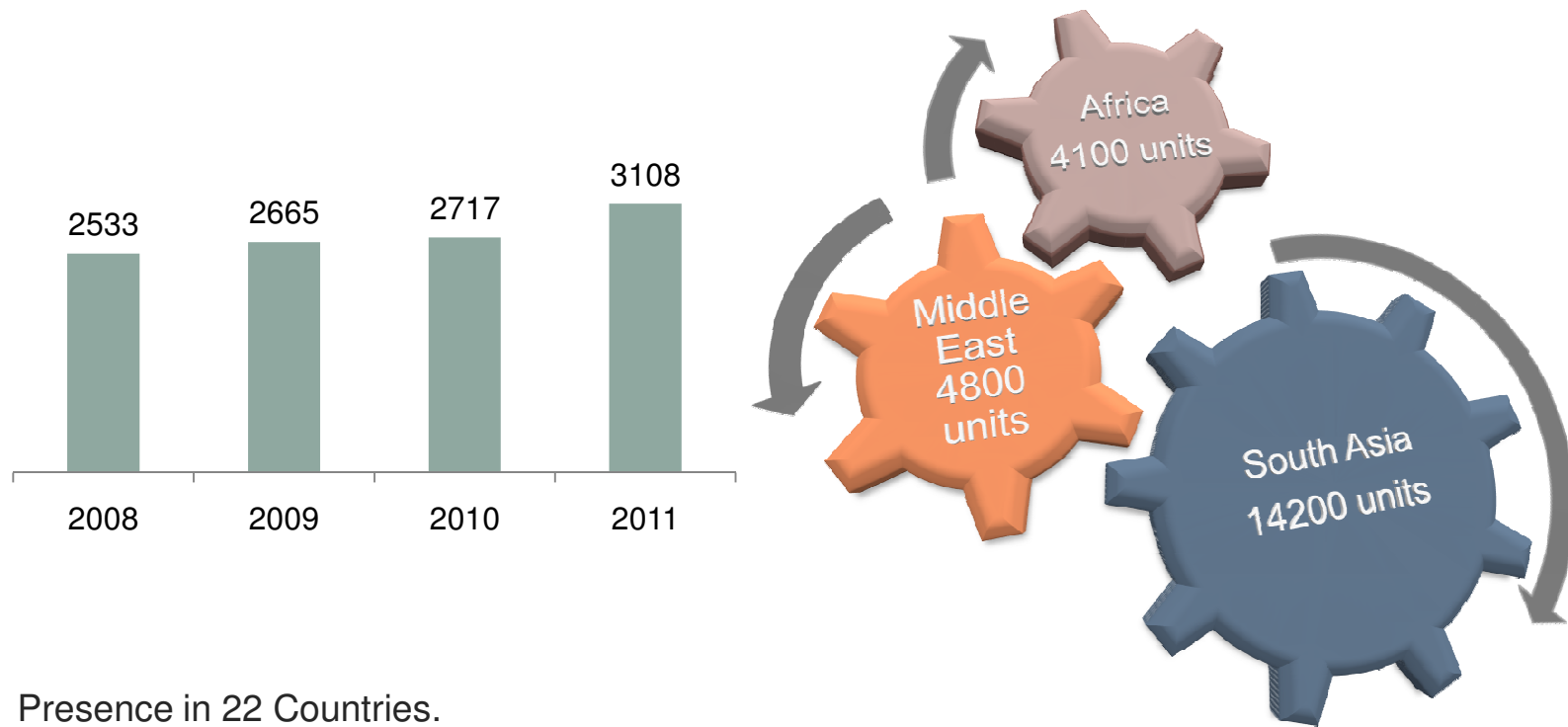
Expanding  
consumption  
Touch points &  
Distribution  
reach



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*

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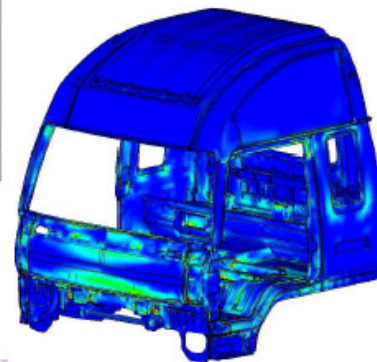
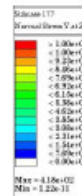
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# Product Development and Manufacturing

## *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



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# 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.



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# Other VECV Business Areas

## Components and Engineering Solutions

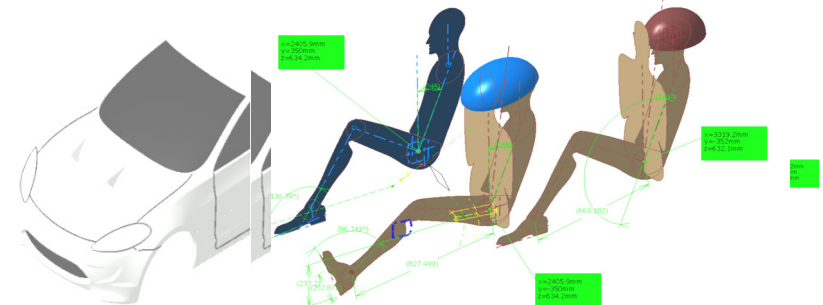
### Eicher Engineering Components (EEC)

- 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.



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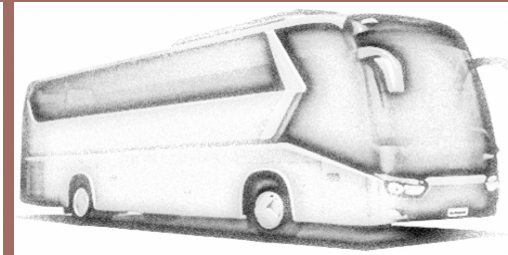
# Complete Product Renewal

## 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



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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!

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