

Print This P**New defence orders to be executed over 2 years: Ashok Leyland**

The recent defence orders, which Ashok Leyland had won from the Indian armed forces, would be executed over the next two years, said Nitin Seth, President-LCV & Defence, [Ashok Leyland](#) in an interview to CNBC-TV18. He added the supplies would start by May.

Sheth is hoping the orders would give a further boost to revenues.

The company received orders worth Rs 800 crore from the Indian armed forces. As part of the order, the company will supply 450 units of Field Artillery Tractor (FAT) 6x6 and other similar super stallion vehicles, along with 825 units of ambulance 4x4, Ashok Leyland said in a statement.

The defence business contributes around Rs 1,000 crore in annual revenues for the company, said Seth.

Although the light commercial vehicle (LCV) business in the last few quarters was muted for the company, its market share has risen in the last eleven months.

Growth for the segment has been around 13 percent versus industry's 10 percent, said Seth.

Seth said the company is still working out the details for a foray into the non-vehicle defence business and study

Below is the transcript of Nitin Seth's interview with Latha Venkatesh and Anuj Singhal on CNBC-TV18.

Latha: Tell us what exactly do these orders mean to us? Are these repeat orders? Are these orders that you have always been servicing and therefore, should we expect this, should we see this as a new high, a new addition?

A: Let me just share with you, Ashok Leyland has been the biggest player for logistics vehicles, we are supplying stallion vehicles, which is around 70,000 with them and around 2,500 stallions we supply every year to the Indian army. But that is a part of our deal with a vehicle factory, Jabalpur. We assemble there and sold to Indian army. These five contracts, which we are talking about worth Rs 800 crore, the government goes through the process of an L1 bidder after trials. Now, these orders are the new orders, the first time for Ashok Leyland, and are in the range other than the stallions.

For example, out of this Rs 800 crore worth of orders, 825 ambulances in 4x4 and 4x2 configuration and the 455 number, the super stallion, which is 6x6 going up to 8x8, these are the first time introduction into the Indian army as well from the Ashok Leyland stable. So, these are the first time, one on the L1 bids, the way the government goes now, L1 bidder gets the all. These are all contracts which are won on the tendering process.

Latha: And how long would you take to complete this order?

A: We will take approximately two years, starting from the supplies from the month of May and to be executed over the next two years. Even with delivery of three years, we should be able to complete this in two years.

Anuj: So, how big is your defence portfolio now and what kind of targets do you have in the next 2-3 years? Even though, while we never segregated defence forcefully, just to give an approximate figure, it is around Rs 600 crore per annum, is our existing defence portfolio on the mobility vehicles. These two orders, on an average if you say Rs 400 crore per year, should make the defence business to be around Rs 1,000 crore total per annum.

Latha: So, should we therefore expect that in FY17 and FY18, your overall revenues also will do much better than in previous years?

A: Yes, it should.

Latha: And is this the first of other orders that you are expecting? Afterall, there is a concerted thrust for make in India in defence. So, should we see more?

A: The new process where there are new defence procurement process (DPP), Make in India defence programme, Ashok Leyland will continue to be in the core area of mobility solution. We might be expanding just beyond mobility as well. But the government bringing out tenders like, we had currently, announcement of our relationship on licensing basis with Lockheed Martin, that is another one billion worth of tender which we are going to bid, we have already bid but trials are yet to start.

So, when government keeps coming out with tenders like this, Ashok Leyland will continue to bid and attempt to become L1, that is way the future is going to be on the process of an L1 basis. So, there will be a lot of tendering process, we will bid and obviously, hopefully be successful.

Latha: The relation with Lockheed Martin is for what?

A: Lockheed Martin as you are aware there is a new tender which has come for light specialist vehicle (LSV) and the light armoured multipurpose vehicle (LAM) which is smaller light 4*4 armoured vehicles which is around USD 1 billion worth of order. We have tied up with Lockheed Martin as a technology partner and a licensing partner to bid for these Make India programs. The tender size is around USD 1 billion.

Latha: When will you know the result of this one?

A: The process has just started we are going by the past record. It takes normally two-three years for the bidder to be announced.

Anuj: Since you also head the light commercial vehicle (LCV) business I wanted a word on that as well because in the last month while Ashok Leyland overall sales grew quite well, LCV sales growth looked a bit muted? Is that going to change over the next few months or so?

A: If you see the Ashok Leyland has gained market share in first 11 months from 14 percent to 15 percent. The market of LCV, if you look at is growing at around 10 percent. If you look at year-to-date (YTD) we are already at 13 percent up therefore we have gained the market share on 1 percent.

We are keeping the pace with the market given you are aware of the certain relationship issues we have with the joint venture. However, we are at least ensuring the does not suffer because we have certain problems with our joint venture partner.

Anuj: You have grown 11 percent from April to February but for February itself the growth was only 3 percent so was it just a February specific issue?

A: I don't think you can say a small aberration but if you see the March figure it should be quite better than what market will expect.

Latha: What will your total defence output be or defence revenues be say by FY18 that is two years down the line?

A: If we remain in the current vehicle domain area which we are very strong and our core area from Rs 1,000 crore may be we can be closer to around Rs 1,500 crore. If we remain in the core vehicles area itself because there will be tenders which are limited and we have to hope to win some of the tenders. Strategy is whether we should go beyond vehicle is something the company is still evaluating.

Latha: That was going to be my next question when do we hear because there was news that you all are evaluating going beyond vehicles?

A: Let us study the new Make in India Defence Procurement Policy (DPP) policy which has come up. There are lot of foreign partners you are aware are already with the Ashok Leyland for example Lockheed Martin, Nexter Systems, Saab, now for all these partners we are working on the platform on the vehicles itself. Do we expand beyond vehicle I think the strategic call management is still evaluating and we should be announcing in due course in case if something crops up.