

## Auditor red flags SBN Deposits in Hinduja Leyland Finance Ltd

Independent Auditor's Report (Page 155 of AR 2017):

"(h) iv. ....However, the auditor of one subsidiary engaged in financing activities was unable to obtain sufficient and appropriate audit evidence to report on whether the disclosure are in accordance with the books of account maintained by the Group and as produced to them by the management of the subsidiary, refer Note 3.12 to the consolidated Ind AS financial statements."

## ESOPs Allotment on January 2017 to CEO at INR 1

The Nomination and Remuneration Committee at its meeting held on January 24, 2017 had granted 7,454,000 options (one-time) to Chief Executive Officer at par i.e. INR 1.

## Assumptions for calculating fair value of options

Assumption for calculating fair value of options for two ESOP schemes (September, 2016 and January 2017) differs from each other.

## JVs/Associates/Subsidiaries: Millstone Around The Neck

Impairment in the value of goodwill and provision for obligation relating to a subsidiary amounted to INR 1.8 bn (F16: INR 3.0 bn).

Total losses (excluding intercompany adjustments) recorded by subsidiaries (ex-HLFL) /JVs/Associates for the year is INR 1.7 bn.

During the year company has recognized gain on disposal of interest in former JV i.e. Nissan JV of INR 1.9 bn and goodwill of INR 44.9 bn based on account of acquisition of stake from Nissan for all JVs. Earlier all the investments in these JVs were written off.

Unrecognised deductibles towards temporary differences/ unutilized capital losses/ unabsorbed depreciation rose more than 2 folds to INR 22.7 bn (F16: INR 10.2 bn).

## Sales Volume Up, Warranty Provisions/ Expense Dip

During the year, total number of Vehicles sold, increased by 3.3% to 145,066 (F16: 140,457)

Non- current provision for product warranties dipped by ~26% to INR 761.9 mn (F16: 1,027 mn), however current provision for product warranties seen surge of 21% to INR 1,973 mn (F16: INR 1,630.8 mn).

Expenses recognized in income statement towards service and product warranties dipped by ~14% to INR 2.9 bn (F16: 3.4 bn).

## WIP rose 3 folds, Advances from customers dipped

7,123 BS III vehicles identified for conversion have been classified under work in progress (impact INR 8.2 bn), excluding BS III adjustment WIP has witnessed increase of approx. 3 times to INR 2.1 bn in F17. Advance from customers dipped ~29% to INR 1.9 bn (F16: 2.8 bn).

## Future Plan of action

Introduction of BS VI range of Vehicles, Commercialisation of Alternate Propulsion vehicles including Electric, Hybrid, LNG, etc. and Introduction of a New Modular Platform for Buses and Trucks.

September 26, 2017

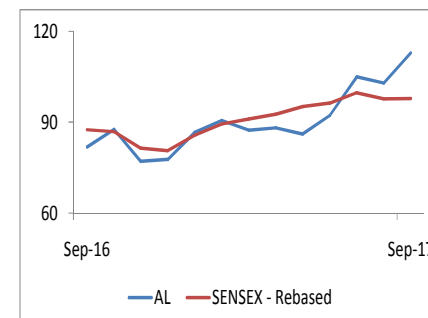
### Market Data

Bloomberg	: AL IN
52-week range (INR)	: 120.15 /73.60
Share in issue (mn)	: 2,926.5
M cap (INR bn/USD mn)	: 330.4 / 5,075
Avg. Daily Vol. NSE ('000)	: 10,393.0
Promoters	: 51.3
MFs, FIs & Banks	: 9.5
FII's	: 22.2
Others	: 17.0
*Promoters pledged shares	: 1.9
(% of share in issue)	

### Financial Snapshot

(INR bn)

Year end March	F17	F16
Total Income	241.9	224.8
EBIDTA	32.9	29.8
Net Income	16.3	7.1
Basic EPS (INR)	5.5	2.4



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