

**FOR IMMEDIATE RELEASE**

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ICRA Assigns A1+ rating to the bank facilities and Short Term Debt/ Commercial Paper Programme of VECV

ICRA has assigned A1+ (pronounced A one plus) rating to the Rs. 800 million non fund based limits of VE Commercial Vehicles (VECV). ICRA has also assigned A1+ (pronounced A one plus) rating to Rs 1200 million Short Term Debt/Commercial Paper Programme of VECV. A1 is the highest-credit-quality rating assigned by ICRA to short term debt instruments. The rated instrument carries lowest credit risk in the short term. Within this category, certain instruments are assigned the rating of A1+ to reflect their relatively stronger credit quality.

The rating favorably considers the partnership between AB Volvo, ranked number 2 in global commercial vehicle (CV) market and Eicher Motors Limited, an established player in the medium commercial vehicle market in India. ICRA expects VECV to benefit from the access to a global distribution network, strong technical skills and strong financial profile of AB Volvo besides benefits of EML's established brand image and products in domestic CV market, widespread sales and distribution network in India and understanding of the Indian CV customers and dynamics related to Indian road transportation industry. The rating also derives comfort from the favorable cash position of the company on account of large funds infused by the foreign partner. The rating factors in the intensifying competition in the CV industry, sharp decline in the industry volumes, weak demand expectations over the short term and increased cost pressures. However, the company's strong financial risk profile characterized by net cash position and low working capital requirements partially offsets the concerns. The rating also factors in relatively small contribution of revenues from engineering services, that currently has weak profitability given it is still in gestation period, besides the small contribution from gears business that is currently operating at break even levels.

Recent Results: As per provisional results, VECV's net sales stood at Rs. 9,850 million during first six months of its operations (ended December 2008) and profit after tax (PAT) at Rs.165.5 million.

About the Company: VECV, a joint venture between EML (54.4%) and AB Volvo (45.6%) came into existence w.e.f. 1st July 2008. While Volvo Group's direct shareholding in VECV is 45.6%, after taking into consideration AB Volvo's stake in EML, the Volvo Group effectively holds 50%. VECV's board is equally represented by the two JV partners with each partner having nominated three members to the Board of Directors. The joint venture comprises EML's truck & bus operations, components business and technical consulting services and Volvo Group's Indian truck sales operations and service network for trucks and buses. The company has its vehicle manufacturing facility at Pithampur (Madhya Pradesh) and auto component manufacturing facilities at Thane (Maharashtra) and Dewas (Madhya Pradesh).

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