

# Ashok Leyland Ltd.

**BUY**

Sector: Automobiles

05<sup>th</sup> March 2025

Key Changes	Target 	Rating 	Earnings 	Target	Rs. 251		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs. 207</b>
Large Cap	AL:IN	72,990	ASHOKLEY	500477	12 Months	<b>Return</b>	<b>+21%</b>

Data as of: 04-03-2025

## Positive volume growth despite weak quarter

**Ashok Leyland Ltd. (AL) is the second-largest Commercial Vehicle (CV) manufacturer in India. It has a strong presence in the truck segment, with a market share of 33% for FY24..**

- Despite a weak quarter, Q3FY25 net profit increased by 31%YoY due to margin expansion. The domestic M&HCV (Medium & Heavy Commercial Vehicle) saw a sequential growth of 10% and a decrease of 1% YoY.
- EBITDA Margin came at 12.8% (+80bps) owing to lower metal price, efficiency in sourcing and better product mix.
- AL maintained market share of 30% in line with the industry growth. This is due to new launches in the LCV segment and a strong presence in the higher tonnage category with healthy double digit growth.
- We expect CV volume to remain better in FY26, due to favourable union budget on consumption and infrastructure development. We expect earnings to grow by 12% CAGR over FY24-26E, factoring in margin expansion, strong export and recovery in bus segment, with a order book of 4000 buses.
- Weakness in the global EV bus market to continue, prompting reassessment of strategies. However, the company anticipates the optimism in the defence segment.

## Outlook & Valuation

AL has taken a continuous price hike and is not expecting any further decline in the margin owing to a softening commodity price and inventory correction. Despite challenges in the tipper truck segment in the past due to product grab and price management anticipates improved demand in H2FY25, driven by new launches, optimism in infrastructure, and rural construction sectors. **Given strong margin expansion and earnings recovery in H2 with rapid export growth we value AL at 20x FY27E EPS and have a target price of Rs.251, and reiterate Buy rating at CMP.**

## Quarterly Financials Standalone.

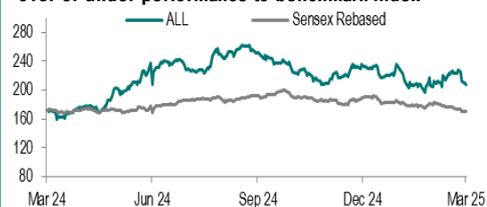
Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	9,479	9,273	2.2	8,769	8.1	26,846	27,100	-0.9
EBITDA	1,211	1,114	8.8	1,017	19.1	3,140	3,014	4.2
Margin (%)	12.8	12.0	77bps	11.6	118bps	11.7	11.1	57bps
EBIT	1,019	935	8.9	842	21.1	2,599	2,476	5.0
PBT	994	903	10.0	996	-0.2	2,691	2,391	12.6
Rep. PAT	762	580	31.3	770	-1.1	2,057	1,717	19.8
Adj PAT	762	581	31.2	653	16.7	1,940	1,742	11.4
EPS (Rs)	2.6	2.0	31.2	2.2	16.7	6.6	5.9	11.4

Company Data	
Market Cap (Rs.cr)	61,608
52 Week High - Low (Rs.)	265-158
Enterprise Value (Rs.cr)	1,02,517
Outstanding Shares (cr)	294
Free Float (%)	49
Dividend Yield	3.3%
6m average volume (cr)	0.85
Beta	1.0
Face value Rs.	1

Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	51.5	51.5	51.5
FII's	22.0	24.4	24.1
MFs/Insti	14.0	12.3	12.8
Public	12.4	11.8	11.6
Total	100.0	100.0	100.0
Promoters pledge	22.1	27.2	30.1

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-11.2%	-17.3%	20.7%
Absolute Sensex	-10.1%	-11.4%	-1.5%
Relative Return*	-1.2%	-5.9%	22.2%

### \*over or under performance to benchmark index



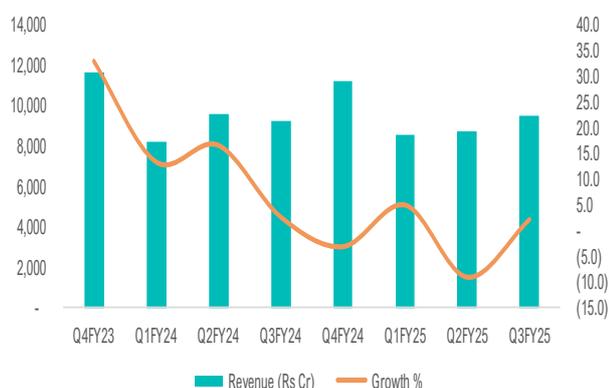
Standalone (cr)	FY25E	FY26E	FY27E
Sales	39,648	43,060	46,701
Growth (%)	3.3	8.6	8.5
EBITDA	4,797	5,210	5,791
EBITDA Margin (%)	12.1	12.1	12.4
Adj. PAT	2,851	3,240	3,679
Growth (%)	5.1	13.6	13.6
Adj. EPS	9.7	11.0	12.5
Growth (%)	5.1	13.6	13.6
P/E	25.7	22.7	20.0
P/B	3.3	2.5	2.0
EV/EBITDA	15.3	13.8	12.0
ROE (%)	23.7	21.9	20.4
D/E	0.2	0.1	0.1

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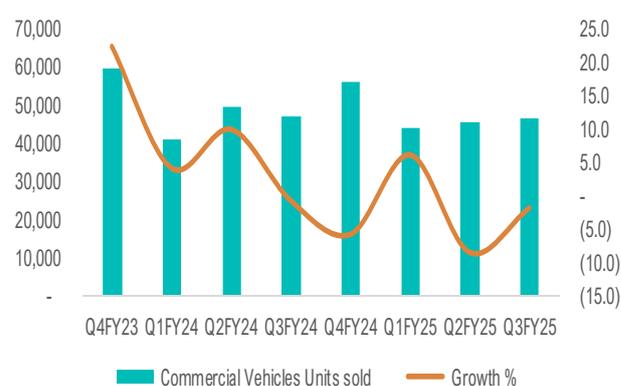
## Key Highlights

- The domestic MHCV market grew 10% sequentially in Q3. MHCV volume was 26,838 units, down 1% YoY. Truck volume fell by 2% YoY, while bus volume rose by 5% YoY. Ashok Leyland held a 30.4% market share for the nine months ending December 2024. LCV volume in Q3 FY25 was 15,415 units, down 9% YoY.
- Non CV business like Engine volume and spare parts have grown by 3.5% and 14% YoY respectively,
- Launched Saathi mini truck, targeting a market share of 20% in the short term and 25% in the medium term for 2 to 4 ton segment. Export volume grew by robust 33% YoY for Q3.
- Despite uncertainty in the UK market for EV business, Switch mobility the EV subsidiary has an order book of 1800 buses, and expected to complete in the next 12 months.
- Targeting an investment capex of Rs.200 cr approved for Hinduja finance and Rs.500 cr for optare.
- As a derisking strategy, ALL targeting the export volume of 25000 units in the medium term with a target of 15000 units for near term.
- The company is committed to sustaining EBITDA margins while investing in future growth opportunities.

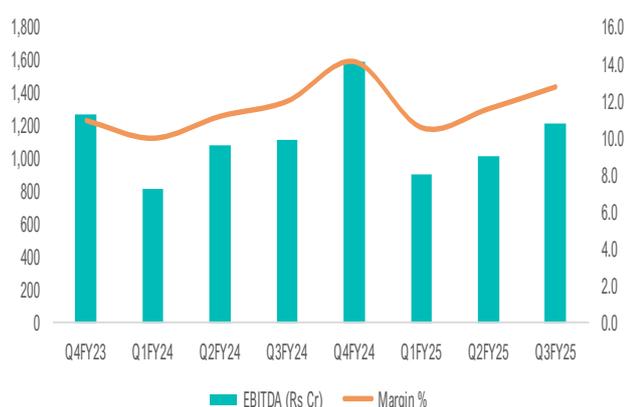
## Revenue



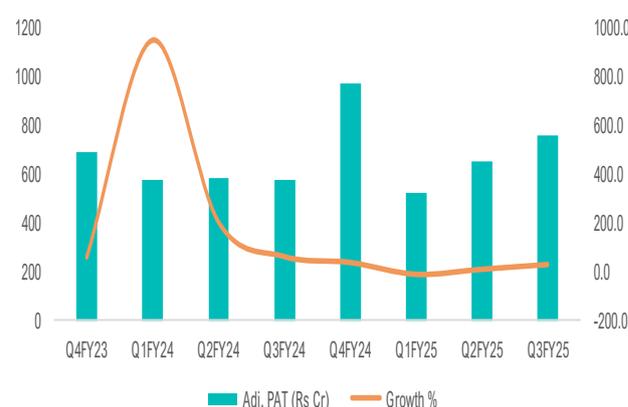
## Commercial Vehicles Units Sold



## EBITDA



## PAT



## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	40,865	44,580	39,648	43,060	-3.0	-3.4
EBITDA	4,904	5,350	4,797	5,210	-2.2	-2.6
Margins (%)	12.0	12.0	12.1	12.1	10bps	10bps
Adj. PAT	3,023	3,403	2,851	3,240	-5.7	-4.8
EPS	10.3	11.6	9.7	11.0	-5.7	-4.8



## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>36,144</b>	<b>38,367</b>	<b>39,648</b>	<b>43,060</b>	<b>46,701</b>
% change	67%	6%	3%	9%	8%
<b>EBITDA</b>	<b>2,931</b>	<b>4,607</b>	<b>4,797</b>	<b>5,210</b>	<b>5,791</b>
% change	195%	57%	4%	9%	11%
<b>Depreciation</b>	<b>732</b>	<b>718</b>	<b>888</b>	<b>890</b>	<b>912</b>
EBIT	2,199	3,889	3,909	4,320	4,878
<b>Interest</b>	<b>289</b>	<b>249</b>	<b>224</b>	<b>146</b>	<b>104</b>
Other Income	116	247	178	215	210
<b>PBT</b>	<b>1,910</b>	<b>3,639</b>	<b>3,685</b>	<b>4,174</b>	<b>4,775</b>
% change	308%	80%	2%	14%	14%
<b>Tax</b>	<b>730</b>	<b>1,174</b>	<b>1,012</b>	<b>1,150</b>	<b>1,306</b>
Tax Rate (%)	35%	31%	26%	26%	26%
<b>Reported PAT</b>	<b>1,380</b>	<b>2,618</b>	<b>2,851</b>	<b>3,240</b>	<b>3,679</b>
Adj*	-84.61	93.72	0	0	0
<b>Adj PAT</b>	<b>1,296</b>	<b>2,712</b>	<b>2,851</b>	<b>3,240</b>	<b>3,679</b>
% change	-	109%	5%	14%	14%
<b>No. of shares (cr)</b>	<b>294</b>	<b>294</b>	<b>294</b>	<b>294</b>	<b>294</b>
Adj EPS (Rs.)	4.4	9.2	9.7	11.0	12.5
<b>% change</b>	<b>-</b>	<b>109%</b>	<b>5%</b>	<b>14%</b>	<b>14%</b>
DPS (Rs.)	2.6	4.9	4.1	4.1	4.1
CEPS (Rs.)	7	12	13	14	16

### CASH FLOW

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Net inc. + Depn.</b>	<b>2,842</b>	<b>4,510</b>	<b>4,752</b>	<b>5,280</b>	<b>5,897</b>
Non-cash adj.	359	-111	-93	-105	-120
Changes in W.C	-249	-166	640	197	158
<b>C.F. Operation</b>	<b>2,223</b>	<b>3,058</b>	<b>4,286</b>	<b>4,222</b>	<b>4,629</b>
Capital exp.	-393	-588	-600	-600	-600
<b>Change in inv.</b>	<b>-1,844</b>	<b>-1,100</b>	<b>-1,700</b>	<b>-1,700</b>	<b>-1,700</b>
Other invest.CF	0	0	0	0	0
<b>C.F – Investment</b>	<b>-2,237</b>	<b>-1,688</b>	<b>-2,300</b>	<b>-2,300</b>	<b>-2,300</b>
Issue of equity	1	0	0	0	0
<b>Issue/repay debt</b>	<b>-327</b>	<b>850</b>	<b>-1,650</b>	<b>-600</b>	<b>-600</b>
Dividends paid	-268	-276	-276	-276	-276
<b>Other finance.CF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
C.F–Finance	-595	574	-1,926	-876	-876
<b>Chg. in cash</b>	<b>-610</b>	<b>1,945</b>	<b>61</b>	<b>1,046</b>	<b>1,454</b>
Closing cash	334	2,279	2,340	3,386	4,840

### BALANCE SHEET

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Cash</b>	<b>334</b>	<b>2,279</b>	<b>2,340</b>	<b>3,386</b>	<b>4,840</b>
Accounts Receivable	4,159	4,730	4,562	4,955	5,374
<b>Inventories</b>	<b>2,774</b>	<b>2,676</b>	<b>2,330</b>	<b>2,548</b>	<b>2,764</b>
Other Cur. Assets	1,449	1,577	1,629	1,770	1,919
<b>Investments</b>	<b>7,342</b>	<b>8,289</b>	<b>10,007</b>	<b>11,753</b>	<b>13,503</b>
Gross Fixed Assets	10,805	11,485	12,105	12,725	13,345
<b>Net Fixed Assets</b>	<b>4,985</b>	<b>4,974</b>	<b>4,743</b>	<b>4,514</b>	<b>4,269</b>
CWIP	133	113	93	73	53
<b>Intangible Assets</b>	<b>1319</b>	<b>1292</b>	<b>1255</b>	<b>1213</b>	<b>1167</b>
Def. Tax (Net)	-504	-392	-300	-194	-75
Other Assets	0	0	0	0	0
<b>Total Assets</b>	<b>22,065</b>	<b>25,538</b>	<b>26,659</b>	<b>30,018</b>	<b>33,813</b>
Current Liabilities	2,258	2,226	2,266	2,458	2,647
<b>Provisions</b>	<b>1,039</b>	<b>1,261</b>	<b>1,304</b>	<b>1,416</b>	<b>1,535</b>
Debt Funds	3,180	4,030	2,380	1,780	1,180
<b>Other Liabilities</b>	<b>7,175</b>	<b>7,265</b>	<b>7,378</b>	<b>8,069</b>	<b>8,752</b>
Equity Capital	294	294	294	294	294
<b>Reserves &amp; Surplus</b>	<b>8,120</b>	<b>10,462</b>	<b>13,038</b>	<b>16,001</b>	<b>19,405</b>
Shareholder's Fund	8,414	10,756	13,331	16,295	19,698
<b>Total Liabilities</b>	<b>22,065</b>	<b>25,538</b>	<b>26,659</b>	<b>30,018</b>	<b>33,813</b>
BVPS (Rs.)	48	66	85	107	133

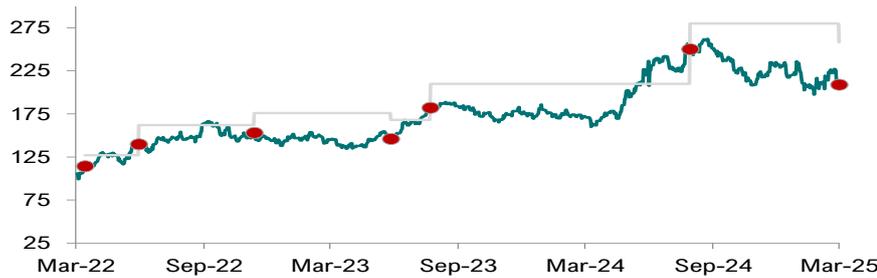
### RATIOS

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	8.1	12.0	12.1	12.1	12.4
<b>EBIT margin (%)</b>	<b>6.1</b>	<b>10.1</b>	<b>9.9</b>	<b>10.0</b>	<b>10.4</b>
Net profit mgn.(%)	3.6	7.1	7.2	7.5	7.9
<b>ROE (%)</b>	<b>16.5</b>	<b>28.3</b>	<b>23.7</b>	<b>21.9</b>	<b>20.4</b>
ROCE (%)	6.4	10.8	10.5	11.1	11.3
<b>W.C &amp; Liquidity</b>					
Receivables (days)	36.7	42.3	42.8	40.3	40.4
<b>Inventory (days)</b>	<b>31.8</b>	<b>35.6</b>	<b>32.2</b>	<b>28.7</b>	<b>28.8</b>
Payables (days)	26.5	29.3	28.9	27.8	27.7
<b>Current ratio (x)</b>	<b>2.9</b>	<b>3.4</b>	<b>3.2</b>	<b>3.4</b>	<b>3.7</b>
Quick ratio (x)	2.0	3.1	3.0	3.4	3.9
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	4.0	4.1	4.0	4.1	4.3
<b>Total asset T.O (x)</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
Int. coverage ratio (x)	7.6	15.6	17.4	29.7	47.1
<b>Adj. debt/equity (x)</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>
<b>Valuation</b>					
<b>EV/Sales (x)</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>
EV/EBITDA (x)	26.0	16.3	15.3	13.8	12.0
<b>P/E (x)</b>	<b>56.7</b>	<b>27.1</b>	<b>25.7</b>	<b>22.7</b>	<b>20.0</b>
P/BV (x)	6.5	4.5	3.3	2.5	2.0



## Recommendation Summary (Last 3 years)

Dates	Rating	Target
17.Mar.22	Accumulate	127
02.Jun.22	Buy	162
15.Nov.22	Buy	176
30.May.23	Buy	168
26.Jul.23	Buy	210
02.Aug.24	Buy	280
05.Mar.25	Buy	251



## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:

 Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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