

Ashok Leyland Ltd.

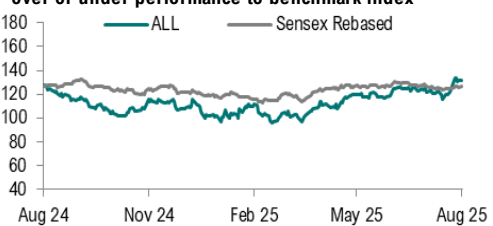
BUY

Sector: Automobiles

28th August 2025

| Key Changes | Target  | Rating  | Earnings  | Target | Rs. 150 |
|-------------|--|--|--|---------------|----------------|
| Stock Type | Bloomberg Code | Sensex | NSE Code | BSE Code | Time Frame |
| Mid Cap | AL:IN | 80,081 | ASHOKLEY | 500477 | 12 Months |
| | | | | CMP | Rs. 130 |
| | | | | Return | +15% |

Data as of: 28-08-2025 16:00 hrs

| Company Data | | | |
|---|---------|---------|--------|
| Market Cap (Rs.cr) | 77,096 | | |
| 52 Week High - Low (Rs.) | 134-95 | | |
| Enterprise Value (Rs.cr) | 72,853 | | |
| Outstanding Shares (cr) | 587 | | |
| Free Float (%) | 49 | | |
| Dividend Yield | 2.4% | | |
| 6m average volume (cr) | 1.42 | | |
| Beta | 1.0 | | |
| Face value Rs. | 1 | | |
| Shareholding (%) | Q3FY25 | Q4FY25 | Q1FY26 |
| Promoters | 51.5 | 51.5 | 51.5 |
| FII's | 24.1 | 23.5 | 23.7 |
| MFs/Insti | 12.8 | 14.1 | 13.9 |
| Public | 11.6 | 10.9 | 10.9 |
| Total | 100.0 | 100.0 | 100.0 |
| Promoters pledge | 30.1 | 41.2 | 41.2 |
| Price Performance | 3 Month | 6 Month | 1 Year |
| Absolute Return | 9.6% | 17.6% | 3.5% |
| Absolute Sensex | 0.2% | 9.6% | 0.8% |
| Relative Return* | 9.3% | 8.0% | 2.7% |
| *over or under performance to benchmark index | | | |
|  | | | |
| Standalone (Rs. cr) | FY25A | FY26E | FY27E |
| Sales | 38,753 | 41,923 | 45,445 |
| Growth (%) | 1.0 | 8.2 | 8.4 |
| EBITDA | 4,931 | 5,450 | 5,999 |
| EBITDA Margin (%) | 12.7 | 13.0 | 13.2 |
| Adj. PAT | 3,204 | 3,508 | 3,900 |
| Growth (%) | 18.0 | 9.5 | 11.2 |
| Adj. EPS | 5.5 | 6.0 | 6.7 |
| Growth (%) | 18.0 | 9.5 | 11.2 |
| P/E | 23.9 | 21.9 | 19.7 |
| P/B | 2.0 | 1.5 | 1.2 |
| EV/EBITDA | 15.3 | 13.8 | 12.2 |
| ROE (%) | 31.5 | 27.0 | 24.1 |
| D/E | 0.2 | 0.1 | 0.1 |

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Margin Expansion to Drive Growth

Ashok Leyland Ltd. (AL) is the second-largest Commercial Vehicle (CV) manufacturer in India. It has a strong presence in the truck segment.

- Despite industry headwinds, net profit rose 13% YoY in Q1FY26, supported by margin expansion, while revenue registered a modest 1.5% YoY growth.
- EBITDA margin improved by 50 bps YoY to 11.1%, driven by lower material costs, an improved product mix, and effective cost control. Export volumes in the MHCV segment surged ~44% YoY in Q1FY26, with strong traction across GCC, Africa, and SAARC markets despite geopolitical challenges.
- In Q1FY26, MHCV market share (ex-defence/EV) improved to 31.1% from 29.8% a year ago, while LCV (0-7.5T) market share expanded by 120 bps YoY to 12.9%.
- Improvement in content per vehicle due to regulatory changes has led to an increase in price and realization. Despite the higher price, the demand remains resilient as the customers are showing a positive mindset for adoption.
- We expect revenue to grow by ~8% CAGR and earnings to grow by ~10% CAGR over FY25-27E, factoring in margin expansion and strong exports.

Outlook & Valuation

AL is coming up with several new MHCV and LCV products in H2FY26. These include heavy-duty tippers, tractor trailers and multi-axle vehicles with industry-best peak power and torque and other premium features. The company is also foraying into the LNG segment and a bi-fuel LCV product this FY. The new Andhra Pradesh plant is ramping to 200 units/month by year-end. The company is targeting production of 1650 units/month from the current rate of 950/month. Management is confident in the H2 uptrend, driven by new launches, sectoral tailwinds, and a robust order book in both core and emerging segments.

Given strong margin expansion with rapid export growth, we value AL at 13.5x EV/EBITDA to arrive at a target price of Rs.150 and reiterate the Buy rating at CMP.

Quarterly Financials Standalone

| Rs.cr | Q1FY26 | Q1FY25 | YoY (%) | Q4FY25 | QoQ (%) |
|------------|--------|--------|---------|--------|---------|
| Sales | 8,725 | 8,599 | 1.5 | 11,907 | -26.7 |
| EBITDA | 970 | 911 | 6.4 | 1,791 | -45.9 |
| Margin (%) | 11.1 | 10.6 | 52bps | 15.0 | -393bps |
| EBIT | 787 | 738 | 6.6 | 1,612 | -51.2 |
| PBT | 798 | 701 | 13.7 | 1,657 | -51.9 |
| Rep. PAT | 594 | 526 | 13.0 | 1,246 | -52.3 |
| Adj PAT | 594 | 526 | 13.0 | 1,260 | -52.9 |
| EPS (Rs) | 1.0 | 0.9 | 13.0 | 2.2 | -52.9 |



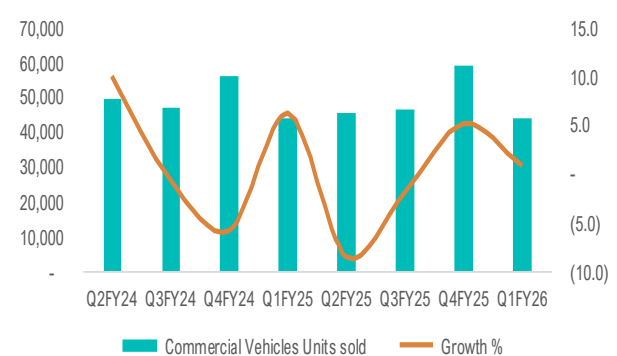
Key Highlights

- AL's cash position net of debt continued to be positive at the end of Q1FY26 at roughly Rs. 800 cr. At the end of the same period last year, the net debt was Rs. 1,200 cr, reflecting a swing of approximately Rs. 2,000cr on a YoY basis.
- Material cost as a percentage of revenue for Q1FY26 was at 70.6%, 1.6% lower than the same period last year. This was a major achievement given the material cost pressures created by steel safeguard duty and tariff volatilities. This was achieved by the company's continued focus on material and other cost savings along with better price realisation and a healthier model mix.
- The absolute amount of other expenses reduced on a QoQ basis. This is as a result of a better product mix, price recovery, and commodity cost controls, as well as the overhead controls.
- AL introduced the new IVAC system, which is the Intelligent Vehicle Acceleration Control System, in many of its products to improve fuel efficiency.
- The company's newest and most modern bus plant at Lucknow, which is under construction, will be operational from Q3FY26. AL is also looking at enhancing capacity at its bus plants at Alwar and Trichy.

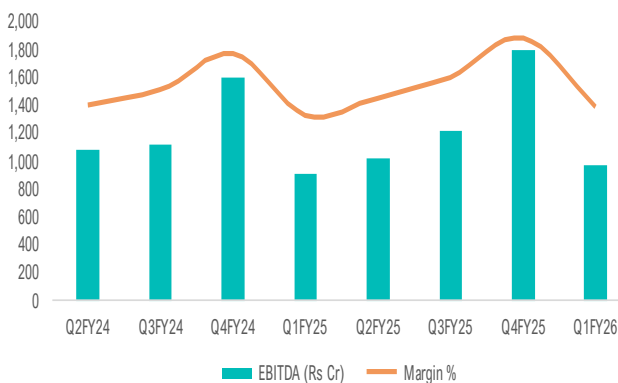
Revenue



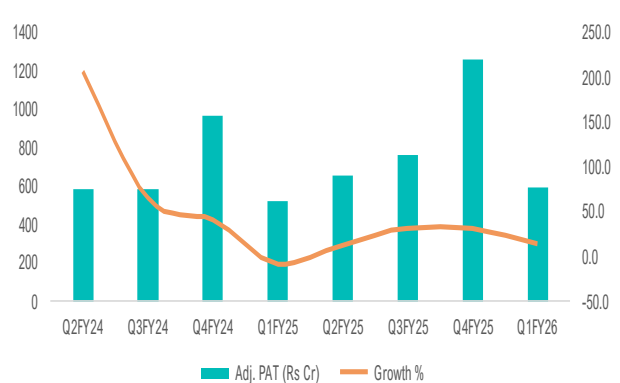
Commercial Vehicles Units Sold



EBITDA



PAT



Change in Estimates

| Year / Rs cr | Old estimates | | New estimates | | Change (%) | |
|--------------|---------------|--------|---------------|--------|------------|-------|
| | FY26E | FY27E | FY26E | FY27E | FY26E | FY27E |
| Revenue | 43,060 | 46,701 | 38,753 | 41,923 | -10.0 | -10.2 |
| EBITDA | 5,210 | 5,791 | 4,931 | 5,450 | -5.4 | -5.9 |
| Margins (%) | 12.1 | 12.4 | 12.7 | 13.0 | 62bps | 60bps |
| Adj. PAT | 3,240 | 3,679 | 3,204 | 3,508 | -1.1 | -4.7 |
| EPS | 5.5 | 6.3 | 5.5 | 6.0 | -0.5 | -4.1 |



Standalone Financials

PROFIT & LOSS

| Y.E March (Rs. cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 36,144 | 38,367 | 38,753 | 41,923 | 45,445 |
| % change | 67% | 6% | 1% | 8% | 8% |
| EBITDA | 2,931 | 4,607 | 4,931 | 5,450 | 5,999 |
| % change | 195% | 57% | 7% | 11% | 10% |
| Depreciation | 731 | 715 | 715 | 847 | 883 |
| EBIT | 2,200 | 3,892 | 4,216 | 4,603 | 5,116 |
| Interest | 289 | 249 | 217 | 161 | 174 |
| Other Income | 116 | 247 | 250 | 273 | 300 |
| PBT | 1,911 | 3,642 | 3,999 | 4,442 | 4,942 |
| % change | 308% | 80% | 15% | 8% | 11% |
| Tax | 730 | 1,174 | 1,045 | 1,207 | 1,342 |
| Tax Rate (%) | 35% | 31% | 24% | 26% | 26% |
| Reported PAT | 1,381 | 2,621 | 3,308 | 3,508 | 3,900 |
| Adj* | -84.61 | 93.72 | -103.73 | 0 | 0 |
| Adj PAT | 1,297 | 2,715 | 3,204 | 3,508 | 3,900 |
| % change | - | 109% | 18% | 9% | 11% |
| No. of shares (cr) | 585 | 585 | 585 | 585 | 585 |
| Adj EPS (Rs.) | 2.2 | 4.6 | 5.5 | 6.0 | 6.7 |
| % change | - | 109% | 18% | 9% | 11% |
| DPS (Rs.) | 2.6 | 4.9 | 4.1 | 4.1 | 4.1 |
| CEPS (Rs.) | 3 | 6 | 7 | 7 | 8 |

CASH FLOW

| Y.E March (Rs. cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|--------------------------|---------------|--------------|---------------|---------------|---------------|
| Net inc. + Depn. | 2,842 | 4,510 | 5,068 | 5,561 | 6,125 |
| Non-cash adj. | 359 | 53 | 26 | -94 | -105 |
| Changes in W.C | -151 | 2,118 | 510 | -1,579 | -1,045 |
| C.F. Operation | 2,320 | 5,507 | 4,559 | 2,681 | 3,633 |
| Capital exp. | -390 | -360 | -832 | -1437 | -1140 |
| Change in inv. | -3,877 | 950 | -3,041 | -323 | -100 |
| Other invest. CF | 0 | 0 | 0 | 0 | 0 |
| C.F – Investment | -4,267 | 591 | -3,872 | -1,760 | -1,240 |
| Issue of equity | 0 | 0 | 0 | 0 | 0 |
| Issue/repay debt | -328 | -923 | -819 | 200 | 200 |
| Dividends paid | -535 | -550 | -550 | -550 | -550 |
| Other finance. CF | 0 | 0 | 0 | 0 | 0 |
| C.F – Finance | -621 | -3,161 | -1,418 | -350 | -350 |
| Chg. in cash | -2,568 | 2,937 | -732 | 571 | 2,043 |
| Closing cash | 501 | 3,438 | 2,706 | 3,277 | 5,320 |

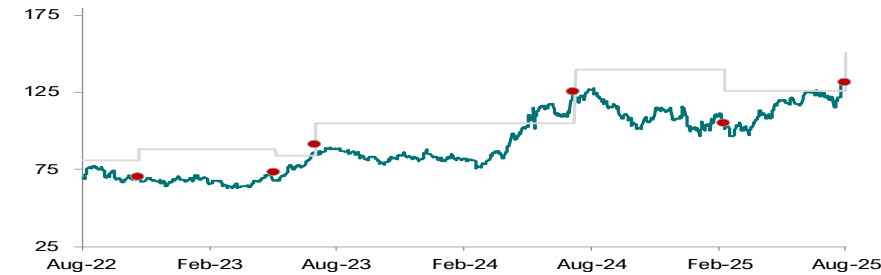
BALANCE SHEET

| Y.E March (Rs. cr) | FY23A | FY24A | FY25A | FY26E | FY27E |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash | 501 | 3,438 | 2,706 | 3,277 | 5,320 |
| Accounts Receivable | 4,062 | 3,570 | 2,887 | 4,020 | 4,607 |
| Inventories | 2,774 | 3,191 | 2,957 | 2,996 | 3,511 |
| Other Cur. Assets | 1,449 | 1,605 | 1,998 | 2,067 | 2,366 |
| Investments | 7,284 | 5,655 | 8,695 | 9,019 | 9,119 |
| Gross Fixed Assets | 10,802 | 11,165 | 11,921 | 13,338 | 14,458 |
| Net Fixed Assets | 4,985 | 4,738 | 5,280 | 5,847 | 6,087 |
| CWIP | 133 | 202 | 277 | 297 | 317 |
| Intangible Assets | 1,319 | 1,214 | 714 | 716 | 713 |
| Def. Tax (Net) | -504 | -556 | -582 | -488 | -383 |
| Other Assets | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 22,076 | 23,055 | 24,932 | 27,752 | 31,656 |
| Current Liabilities | 2,258 | 4,311 | 3,139 | 2,420 | 2,600 |
| Provisions | 1,039 | 1,375 | 1,534 | 1,608 | 1,494 |
| Debt Funds | 3,180 | 2,255 | 1,435 | 1,635 | 1,835 |
| Other Liabilities | 7,175 | 6,305 | 7,305 | 7,612 | 7,900 |
| Equity Capital | 585 | 585 | 585 | 585 | 585 |
| Reserves & Surplus | 7,839 | 8,225 | 10,933 | 13,891 | 17,242 |
| Shareholder's Fund | 8,425 | 8,810 | 11,519 | 14,477 | 17,827 |
| Total Liabilities | 22,076 | 23,055 | 24,932 | 27,752 | 31,656 |
| BVPS (Rs.) | 36 | 51 | 71 | 94 | 119 |

RATIOS

| Y.E March | FY23A | FY24A | FY25A | FY26E | FY27E |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Profitab. & Return | | | | | |
| EBITDA margin (%) | 8.1 | 12.0 | 12.7 | 13.0 | 13.2 |
| EBIT margin (%) | 6.1 | 10.1 | 10.9 | 11.0 | 11.3 |
| Net profit mgn. (%) | 3.6 | 7.1 | 8.3 | 8.4 | 8.6 |
| ROE (%) | 16.5 | 31.5 | 31.5 | 27.0 | 24.1 |
| ROCE (%) | 6.4 | 11.7 | 13.2 | 13.2 | 13.0 |
| W.C & Liquidity | | | | | |
| Receivables (days) | 36.2 | 36.3 | 30.4 | 30.1 | 34.6 |
| Inventory (days) | 31.8 | 39.0 | 40.6 | 36.8 | 37.1 |
| Payables (days) | 26.5 | 42.9 | 49.2 | 34.3 | 28.6 |
| Current ratio (x) | 2.9 | 2.1 | 2.3 | 3.1 | 3.9 |
| Quick ratio (x) | 2.0 | 1.6 | 1.8 | 3.0 | 3.8 |
| Turnover & Leverage | | | | | |
| Gross asset T.O (x) | 4.0 | 4.1 | 3.9 | 3.7 | 3.7 |
| Total asset T.O (x) | 1.7 | 1.7 | 1.6 | 1.6 | 1.5 |
| Int. coverage ratio (x) | 7.6 | 15.6 | 19.4 | 28.6 | 29.5 |
| Adj. debt/equity (x) | 0.2 | 0.3 | 0.2 | 0.1 | 0.1 |
| Valuation | | | | | |
| EV/Sales (x) | 2.2 | 2.0 | 1.9 | 1.8 | 1.6 |
| EV/EBITDA (x) | 27.1 | 16.4 | 15.3 | 13.8 | 12.2 |
| P/E (x) | 59.1 | 28.3 | 23.9 | 21.9 | 19.7 |
| P/BV (x) | 5.1 | 3.1 | 2.0 | 1.5 | 1.2 |

Recommendation Summary (Last 3 years)



| Dates | Rating | Target |
|-----------|------------|--------|
| 17.Mar.22 | Accumulate | 64 |
| 02.Jun.22 | Buy | 81 |
| 15.Nov.22 | Buy | 88 |
| 30.May.23 | Buy | 84 |
| 26.Jul.23 | Buy | 105 |
| 02.Aug.24 | Buy | 140 |
| 05.Mar.25 | Buy | 126 |
| 28.Aug.25 | Buy | 150 |

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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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

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