

CMP: INR 238

Rating: Buy

Target Price: INR 291

Stock Info

BSE	500477
NSE	ASHOKLEY
Bloomberg	AL:IN
Reuters	ASOK.NS
Sector	Auto-LCVS & HCVS
Face Value (INR)	1
Equity Capital (INR mn)	2,936
Mkt Cap (INR Mn)	6,44,861
52w H/L (INR)	265/158

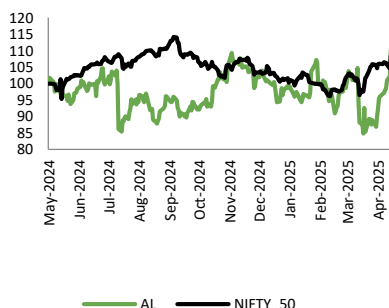
Shareholding Pattern %

(As on Mar, 2025)

Promoters	51.52
Public	24.09
DII	13.04
Others	11.35

Stock Performance (%)	1m	3m	12m
Ashok Leyland	8.1	-0.9	27.8
Nifty	-0.1	-3.5	6.6

Ashok Leyland Vs Nifty



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Ashok Leyland Ltd (AL) has reported standalone revenue stood at INR 118,575 Mn, below our estimate of INR 123,234 Mn registering a growth of up by 5.7% YoY/ up by 25.7% QoQ. EBITDA stood at INR 17,910 Mn, above our estimate of INR 17,504 Mn, up by 22.4%QoQ/ 4.6% YoY. On the margins front, EBITDA margin is up by 226 bps QoQ/+91bps YoY to 15.04%, above our estimate of 14.2%. Standalone PAT up by 28.4%YoY/ up by 63.6% QoQ to INR 12,459 Mn above our estimate of INR 11,598 Mn . Exceptional of INR 136.5 Mn due to Write off of Intangible assets (104.5 Mn and impairment loss of INR 32.0 Mn). EPS stood at INR 4.24 in Q4FY25 against INR 2.59 in Q3FY25. Board approves Bonus Issues of 1 Share for every 1 share held. Tax Credit at INR 1730 Mn

Strong demand from EV business in India: Switch India performed strongly, posting double-digit EBITDA (12%) in Q4 and 6% for the full year, with sales of 287 buses and 300 electric LCVs. The order book stands at 1,800 vehicles, and the company aims for PAT positivity next. New products like Switch E1 for Europe and Switch EiV 12 for India were launched. The Vijayawada bus plant is operational, and another facility in Lucknow is under construction to scale EV bus capacity. Management sees strong long-term EV potential in India, especially in the electric bus segment, supported by government initiatives and STU demand.

Industry Outlook, Resilient Growth Amid Regulatory Headwinds: The company expects single-digit growth for the overall CV industry in FY26, supported by the return of government infrastructure spending, above-average monsoon forecasts, and improving core sector demand. While regulatory changes such as AC cabin norms and steel safeguard duties may create near-term cost pressures, these are expected to be mitigated through price increases and ongoing cost optimization efforts. The company remains confident in the structural resilience of the CV industry, noting that cycles are becoming less volatile due to a more diversified and premiumized product mix, enhanced cost leadership, and a shift towards less cyclical revenue streams.

Non-CV Segments, Diversified Growth Driving Margin Stability: The company's non-CV businesses engines, spare parts, and defense played a pivotal role in supporting margin stability and overall growth. Engine volumes grew 9% YoY in Q4 and 2% for the full year, while spare parts revenue rose 15% in Q4 and 14% for FY25. Although defense revenue remained flat, company is confident of doubling this segment over the next 2–3 years. These higher-margin businesses now contribute nearly 50% of total revenue, significantly reducing the company's dependency on the more cyclical truck segment.

Outlook and valuation

We believe AL is well-placed to achieve MS gains and volume growth, driven by new launches and demand for higher-tonnage CVs. Focused on achieving mid-teen EBITDA through efficient products and network expansion. Strong contributions are anticipated from defense and international business. The company expects the industry to exceed expectations, leading to operating leverage in FY26. Also indicating huge replacement demand potential in the next 2-3 years. We anticipate a ~9%/11%/~14.8% CAGR in revenue/EBITDA/PAT growth from FY25 to FY28E. **Value AL at a PE multiple of 19x for the parent automaker for its FY28E EPS of INR 16.8 (Include INR ~27 for HLF). We maintain our rating to Buy and value it with SOTP valuation for a target price of INR 291.**

YE March (INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoE (%)	P/E (x)
FY25	3,87,527	49,306	31,996	11.2	12.7%	32.5%	21.2
FY26E	4,10,109	52,709	35,697	12.2	12.9%	29.7%	19.6
FY27E	4,58,030	59,325	40,986	14.0	13.0%	31.4%	17.1
FY28E	5,02,780	67,479	48,373	16.5	13.4%	33.8%	14.5

Quarterly Results					
Standalone (INRm)	Q4FY25	Q3FY25	Q4FY24	QoQ%	YoY%
Revenue	118,575	94,362	112,191	25.7%	5.7%
Other operating income	492	425	476	15.8%	3.5%
Net Sales	119,067	94,787	112,667	25.6%	5.7%
Cost of material consumed	73,720	63,674	74,925	15.8%	-1.6%
Purchases of stock-in-trade	4,634	3,934	4,245	17.8%	9.2%
Changes in inventories	5,674	135	1,736	4106.4%	226.9%
Raw Material	84,028	67,743	80,906	24.0%	3.9%
Staff Cost	6,515	6,064	5,535	7.4%	17.7%
Other expenditure	10,614	8,866	10,305	19.7%	3.0%
Total Expenditure	101,158	82,672	96,746	22.4%	4.6%
EBITDA	17,910	12,114	15,921	47.8%	12.5%
Depreciation	1,789	1,923	1,797	-7.0%	-0.5%
EBIT	16,121	10,191	14,124	58.2%	14.1%
Interest	471	501	592	-5.9%	-20.4%
Other Income	1,059	247	1,179	328.7%	-10.2%
PBT	16,573	9,938	14,711	66.8%	12.7%
Current Tax	5,846	3,546	4,854	64.9%	20.4%
Deferred tax	(1,732)	(1,226)	157	-	-
Tax	4,114	2,320	5,010	77.3%	-17.9%
Adjusted PAT	12,459	7,617	9,701	63.6%	28.4%
Extraordinary	-	-	(696.6)		
Reported PAT	12,458.7	7,617.4	9,004.1	63.6%	38.4%
EPS	4.24	2.59	2.99	63.7%	41.8%
Margins	Q4FY25	Q3FY25	Q4FY24	QoQ (Bps)	YoY (Bps)
Gross margins	29.4%	28.5%	28.2%	90Bps	124Bps
EBITDA	15.04%	12.8%	14.1%	226Bps	91Bps
Adjusted PAT	10.5%	8.0%	8.6%	243Bps	185Bps
Effective Tax Rate	24.8%	23.3%	34.1%	148Bps	-923Bps
Cost Analysis					
RM/Net Sales	70.57%	71.47%	71.81%	-90Bps	-124Bps
Other Exp/Net Sales	8.91%	9.35%	9.15%	-44Bps	-23Bps
Staff cost/Net sales	5.47%	6.40%	4.91%	-93Bps	56Bps
Volume (In Units)	Q4FY25	Q3FY25	Q4FY24	QoQ%	YoY%
MHCV	28,953	24,025	29,720	20.5%	-2.6%
LCV	16,457	15,415	10,440	6.8%	57.6%
Total Sales	45,410	39,440	40,160	15.1%	13.1%
EXPORT	61,867	54,855	50,600	12.8%	22.3%
M&HCV	5,391	6,033	7,429	-10.6%	-27.4%
LCV	1,272	931	8,680	36.6%	-85.3%
Total Exports	6,663	6,964	16,109	-4.3%	-58.6%
Total Volume	52,073	45,624	56,269	14.1%	-7.5%

Source: Arianth Research, Company Filings

Ashok Leyland –Concall Highlights

Guidance and Outlook (FY26–FY27): Optimistic about FY26, expecting growth across all CV segments (LCV, ICV, M&HCV, buses) driven by improved macro indicators like monsoon forecasts, core sector momentum, and government infrastructure push. FY27 is anticipated to continue the uptrend but with moderated expectations. The company is also focusing on reducing cyclicity via higher contribution from non-CV businesses.

EBITDA Margin Outlook: Despite near-term cost pressures from AC mandate and steel safeguard duties, mid-teen EBITDA margins are targeted in the medium term, supported by premiumization, cost savings, and service improvements.

Revenue Mix: Non-CV segments, including spare parts, engine business, and exports, contributed significantly, with spare parts revenue growing 14% and engine volumes up 2% YoY. Export volumes rose 29% for FY25, indicating a healthy diversification of revenue streams.

Buses & School/Road to School Programs: FY25 bus volumes grew 18% YoY to 21,249 units. Demand is seen picking up from both STUs and private operators. Bus production capacity is being expanded with new facilities at Vijayawada and Lucknow. Social initiatives like “Road to School” reached 5 lakh students, targeting another 1 lakh in FY26.

Electric Vehicles (EVs): EV arm, Switch India, achieved EBITDA positivity in FY25 (6%) and reported 12% EBITDA margin in Q4. It sold 287 buses and 300 electric LCVs. An order book of 1,800 units is in place. Ohm Mobility, the fleet operating arm, runs 650+ EV buses and plans to add 1,700 more in FY26. Switch UK is undergoing restructuring with manufacturing operations being relocated for efficiency.

Tractor: The tractor-trailer segment is expected to perform well in FY26, with a noticeable shift toward higher-capacity 55-ton models. Recently launched a 55-ton electric tractor-trailer to capitalize on this trend. The segment is emerging as one of the stronger growth areas for the company, closely following buses in terms of market potential and demand outlook.

CV & MHCV: Domestic MHCV volume in Q4 was 36,053 units (up 4% YoY). For FY25, truck volumes declined 5% to 93,540 units while buses offset some of the drop. Overall domestic MHCV volume for FY25 was 114,789 units (down 1% YoY). MS remains robust at 30.9%.

Capex for FY25 was INR 950 Cr against FY26 target is INR 10,000 . Focus is on tech, especially alt fuels & EVs. Strong cash position allows flexibility for higher capex if needed.

Monsoon predictions are above average for the upcoming year, which is seen as a positive factor for the CV industry. Expects positive growth across all CV segments in FY26, driven by favorable macroeconomic factors like government infrastructure spending, good monsoon predictions, and pent-up demand.

Cash: Strong cash position of over INR 42Bn

Subsidiary Switch Mobility (EV) turned EBITDA positive in FY25 and is expected to become PAT positive in the near future.

RM cost/vehicle has reduced due to 3 years of cost-cutting efforts. The Company used levers like supplier collaboration & teardown analysis to drive savings. Global steel tariff headwinds but expects their impact to be temporary (3–5 months). Other commodity trends like rubber are favorable, and realization improvements should offset inflation.

Plans to list its subsidiary Hinduja Leyland Finance soon to unlock value, though there have been some delays in getting approvals.

Avg vehicle age is ~9–10 yrs vs historical 7–7.5 yrs. Co. expects it to reduce to 8–8.5 yrs as pent-up demand kicks in.

HFC's AUM grew 31% YoY to INR 14,000 Cr, making it the 4th largest affordable housing finance company.

CV outlook positive for FY26. Strong bus demand (STUs + private), good traction in tractor-trailers, and tipper growth likely from mining/construction. FY25: MHCV vols 1.15L (-1% YoY), buses +18% YoY.

Non-CV biz (exports, parts, defense) growing well with higher margins vs CV. Helps reduce cyclicity & boost profitability. Now ~50% of total revenue.

Exports grew 52% QoQ in Q4 FY25 and 29% YoY in FY25 (15,255 units). Switch E1 and EIV12 were launched for GCC and Indian markets, respectively. Export markets (Africa, GCC, SAARC) are performing well. ASEAN markets (Indonesia, Malaysia, Philippines, Thailand) are targeted next, with localization plans in place.

Inventory : Improved after-sales performance and AMC focus have been key drivers of customer satisfaction. Dealer and customer satisfaction indices improved significantly. AMC initiatives are driving growth in spare parts and services.

Exhibit 3: Revenue trend and expecting better growth led by upcoming launches

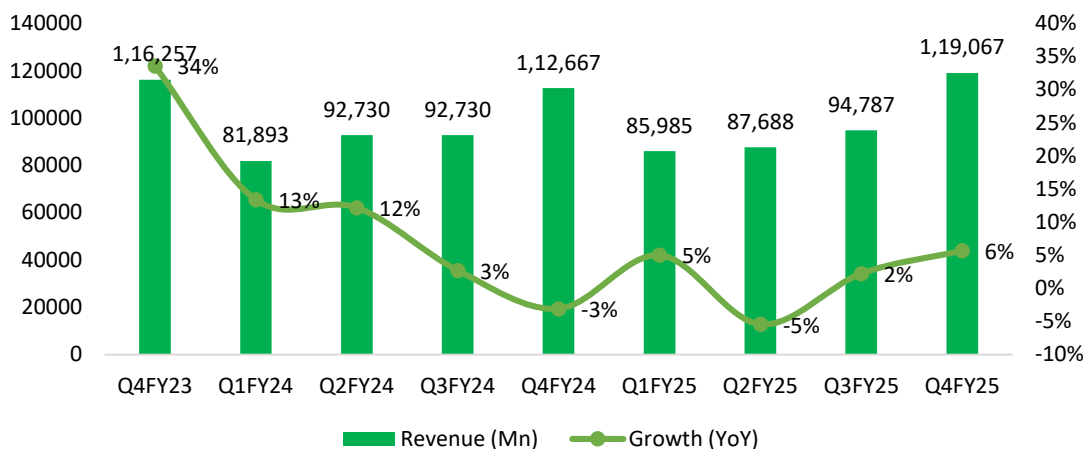


Exhibit 4 : Strong EBITDA margin trend

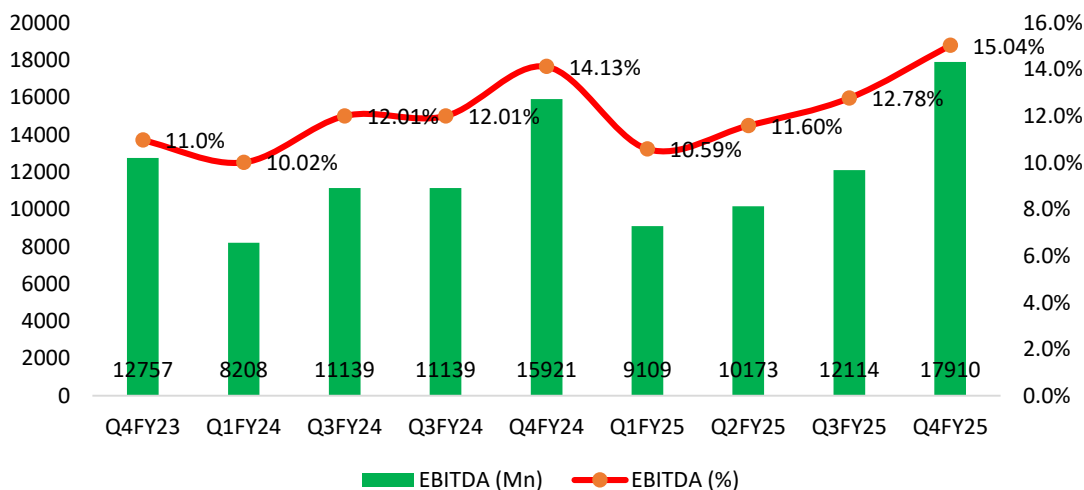
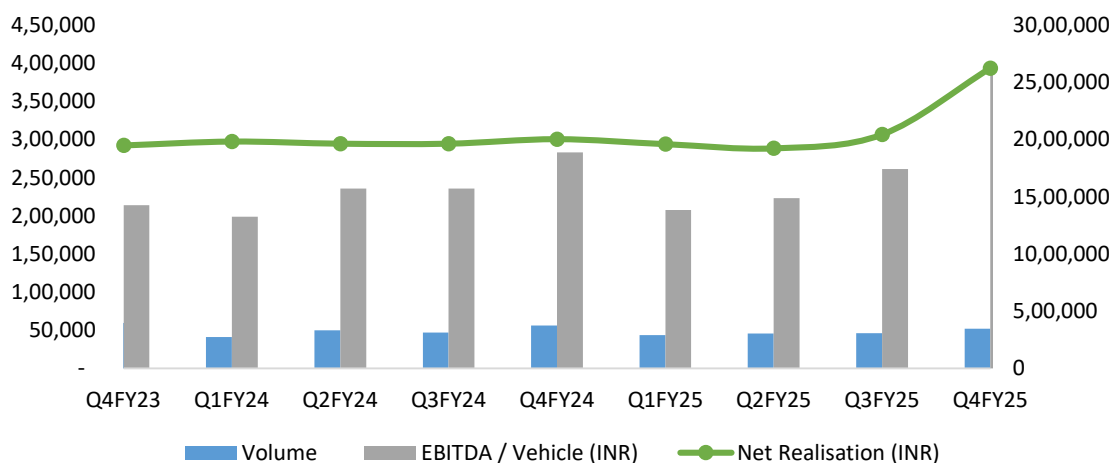


Exhibit 5: Volume expected to increase in the coming quarters



Source: Arianth Research, Company Filings

P&L (INR mn) Standalone	FY25	FY26E	FY27E	FY28E
Net sales	3,87,527	4,10,109	4,58,030	5,02,780
YoY (%)	1.0	5.8	11.7	9.8
Raw material cost	2,76,228	2,90,767	3,24,285	3,51,946
Employee Cost	24,063	27,672	31,823	36,596
Admin Expenses	37,931	38,960	42,597	46,759
Total expenses	3,38,222	3,57,400	3,98,705	4,35,301
EBIDTA	49,306	52,709	59,325	67,479
(%)	12.7%	12.9%	13.0%	13.4%
Depreciation	7,193	8,042	8,887	9,797
EBIT	42,112	44,667	50,438	57,682
Interest	2,169	1,190	1,648	2,115
Other income	2,503	3,754	5,631	8,446
PBT	42,446	47,231	54,421	64,013
Exchange gain / (loss) on swap contracts				
(-) Tax	10,450	11,535	13,435	15,640
Tax/ PBT	24.6	24.4	24.7	24.4
PAT	31,996	35,697	40,986	48,373
YoY (%)	18.0	11.6	14.8	18.0
PAT(%)	8.3%	8.7%	8.9%	9.6%
Extraordinary	1,037.30	-	-	-
Reported Profit	33,033	35,697	40,986	48,373

Cash Flow Standalone	FY25	FY26E	FY27E	FY28E
Net profit	33,033	35,697	40,986	48,373
Depreciation	7,193	8,042	8,887	9,797
Deferred tax	-4,524	-4,524	-4,524	-4,524
Change in W/C	-12,686	-13,693	-10,379	-10,162
Operating cash flow	23,016	25,522	34,970	43,484
Capex	-13,813	-12,000	-14,000	-14,000
Investments	-8,317	7,233	-401	-401
Investing cash flow	-22,130	-4,767	-14,401	-14,401
FCF	9,203	13,522	20,970	29,484
Dividend	-14,322	-25,821	-29,756	-35,119
Equity	8,373.6	-	-	-
Debt	-8,177	6,975	7,114	7,257
Financing cash flow	-14,125	-18,846	-22,641	-27,862
Net change in cash	-13,239	1,909	-2,073	1,220
Opening cash	34,382	27,060	26,480	28,434
Closing cash	27,060	26,480	28,434	33,681

B/Sheet (INR mn)Standalone	FY25	FY26E	FY27E	FY28E
Equity capital	2,937	2,937	2,937	2,937
Reserves	1,12,251	1,22,127	1,33,358	1,46,612
Net worth	1,15,188	1,25,064	1,36,294	1,49,548
Total Loans	14,817	21,792	28,907	36,163
Deferred Tax	5,478.90	-	-	-
Total Liabilities	1,35,484	1,46,856	1,65,201	1,85,712
Gross block	1,17,722	1,29,722	1,43,722	1,57,722
Less: Acc. Dep	52,436	60,477	69,364	79,161
Net block	65,286	69,244	74,357	78,560
Work in progress	2,769	2,769	2,769	2,769
Investments	63,140	56,943	57,343	57,743
Inventories	35,861	37,441	39,980	43,391
Debtors	28,873	33,708	37,646	41,324
Cash	27,060	26,480	28,434	33,681
Loans and advances	15,110	29,890	37,824	51,460
Current assets	1,06,903	1,27,518	1,43,885	1,69,857
Current liabilities	81,130	94,763	96,563	1,05,005
Provisions	21,484	14,855	16,590	18,211
Net current assets	4,289	17,900	30,732	46,640
Total Assets	1,35,484	1,46,856	1,65,201	1,85,712

Key Ratios	FY25	FY26E	FY27E	FY28E
EPS	11.2	12.2	14.0	16.5
Cash EPS	13.7	14.9	17.0	19.8
Book value	39	43	46	51
P/E (x)	21.2	19.6	17.1	14.5
EV/EBDITA (x)	12.7	12.1	10.8	9.5
P/B (x)	6.1	5.6	5.1	4.7
EV/Sales	1.6	1.6	1.4	1.3
ROCE	28%	26%	27%	29%
ROE	32%	30%	31%	34%
Dividend Yield	2.6%	3.1%	3.5%	4.1%

Gross asset turn	3.1	2.9	2.9	2.9
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Days outstanding

Inventory	47	47	45	45
Debtors	30	30	30	30
Creditors	90	90	90	90

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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