

Ashok Leyland

BSE SENSEX 73,134
S&P CNX 22,679



Bloomberg	AL IN
Equity Shares (m)	5874
M. Cap. (INRb)/(USDb)	875.9 / 9.2
52-Week Range (INR)	215 / 95
1, 6, 12 Rel. Per (%)	-19/14/45
12M Avg Val (INR m)	2449

Financials & Valuations (INR b)

INR b	FY26E	FY27E	FY28E
Sales	436.4	481.7	530.2
EBITDA (%)	57.4	61.4	72.1
Adj. PAT	38.4	41.7	49.7
EPS (INR)	6.5	7.1	8.5
EPS Growth (%)	19.1	8.4	19.4
BV/Share (INR)	22.1	25.2	28.9

Ratio

RoE (%)	31.4	30.0	31.3
RoCE (%)	26.2	25.2	26.4
Payout (%)	55.4	56.4	56.1

Valuations

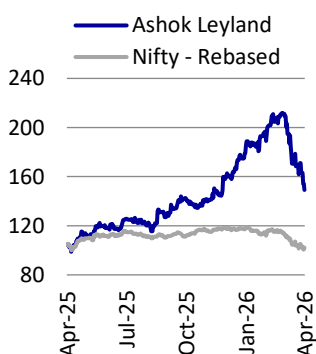
P/E (x)	22.8	21.0	17.6
P/BV (x)	6.8	5.9	5.2
EB / EBITDA (x)	14.5	13.5	11.4
Div Yield (%)	2.4	2.7	3.2

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	51.1	51.1	51.1
DII	13.7	13.6	13.0
FII	25.0	24.9	24.7
Others	10.2	10.4	11.2

FII includes depository receipts

Stock Performance (one-year)



CMP: INR149 **TP: INR185 (+24%)** **Buy**

CV outlook at risk if global headwinds persist longer

We recently interacted with the management of Ashok Leyland (AL). The key takeaways are as follows: Domestic CV demand, which had revived post-GST rate cut, has sustained even in Mar'26. Demand revival has been positive across all CV segments. Further, to gain share, AL plans a major expansion in Western India with 30 new touchpoints to be added to its current strength of 150 in the region. However, the ongoing geopolitical headwinds pose risks to our estimates given: 1) a sustained rise in crude could derail economic growth and is likely to be detrimental for CV demand, 2) exports, which are likely to see near-term headwinds as the Middle East market contributes 35-40% of the exports, and 3) uncertainty over sustained gas availability as well as a rise in input costs. To factor in the risks due to the ongoing WestAsia conflict, we have now lowered our estimates by 13% each for FY27E/FY28E. Assuming this conflict does not continue beyond Q1FY27, we reiterate our BUY rating on the stock with a TP of INR185 (based on 13x Dec'27E EV/EBITDA + ~INR10/sh for the NBFC).

CV demand momentum continues

GST rate cuts have helped revive CV demand since Sep'25, and the momentum has sustained even in March. Even small fleet operators, whose contribution to freight movement had significantly declined post-pandemic, are now buying new fleets, given the pickup in freight demand. Further, the good part of this demand revival is that the momentum is strong across all segments, whether it is light commercial vehicles (LCVs), intermediate, or heavy-duty CVs. Further, in order to gain share, AL is planning a major expansion in Western India with 30 new touch points to be added to its current 150 touch points in the region.

Global conflict may derail current sentiments

The key cause of concern from the ongoing geopolitical macro is the mounting crude prices, which, if sustained for longer, will likely limit the country's economic growth. This, along with rising inflation, is likely to be detrimental for CV growth in the future. Even AL's exports will face near-term headwinds as the Middle East market contributes almost 35-40% of the exports. On the availability of gas, while there are no immediate hiccups, there is also no clarity as yet on how long uninterrupted production will continue. Further, input costs are also mounting, the impact of which is likely to be visible in the financials from 1QFY27. To offset this impact, AL announced a price hike of up to 2% in CVs w.e.f. 1st Apr'26.

Valuation and view

To factor in the risks due to the ongoing WestAsia conflict, we have now lowered our estimates by 13% each for FY27E/FY28E. After the recent correction, the stock is now attractively valued at 21.0x FY27 and at 17.6x FY28E. **Assuming this conflict does not continue beyond Q1FY27, we reiterate our BUY rating on the stock with a TP of INR185 (based on 13x Dec'27E EV/EBITDA + ~INR10/sh for the NBFC).**

Key takeaways from the management meeting

Update on the domestic business

- GST rate cuts have helped revive CV demand since Sep'25. It was a well-known fact that the average age of the fleet had increased to 10.0-10.5 years from 7.0-7.5 years earlier. Further, while one was expecting the replacement cycle to kick off soon, the same wasn't visible until Aug'25. However, the GST rate cut appears to have triggered this much-awaited CV replacement cycle.
- Small fleet operators, whose contribution to freight movement had notably declined post-Covid, are now buying new fleet, given the pick-up in freight demand.
- Further, the good part of this demand revival is that the momentum is strong across all segments, whether it is light commercial vehicles (LCVs), intermediate, or heavy-duty CVs.
- Demand continues to be strong even in March. However, the ongoing conflict in West Asia and the resultant increase in crude prices remains a key monitorable as it may hurt sentiments if it does not settle down soon
- Approximately 40–45% of CV demand remains linked to infrastructure projects. As per our checks, demand for this sector is booming currently in many States. Pick up in E-commerce is also another structural growth driver, with strong growth in both first-mile (MHCV) and last-mile (LCV) logistics.
- Further, AL is planning a major expansion in Western India with 30 new touch points to be added to its current 150 touch points in the region.
- In the LCV business, AL intends to introduce a new passenger LCV and expand its offerings in the goods segment as well.
- Further, AL's LCV business in Western India operates through 29 dealer partners and 130 service workshops, which ensures service availability every 35 km. AL plans to ramp up its service network in the Western region, targeting a touchpoint every 25 km.

Update on new product launches

- Ashok Leyland relaunched two of its most recognizable truck nameplates, TAURUS and HIPPO, in Jan'26. Both vehicle lines are built on Ashok Leyland's AVTR modular truck platform and powered by 8.0-liter A-Series 6-cylinder engines producing 360 horsepower and 1,600 Nm of torque.
- The new models target mining, infrastructure, and construction applications.
- Key features include heavy-duty drivetrains, reinforced chassis, Hill Start Assist, and Automatic Traction Control as standard equipment.
- While Taurus will serve in AL's tipper range in the heavy HP category, HIPPO will be the flagship product of the tractor-trailer portfolio.

Update on exports

- Exports continue to be a good long-term growth story for AL
- AL has posted a healthy 18.5% growth in exports in FY26
- Growth is largely driven by GCC countries, SAARC, and Africa. They are looking at ASEAN as the 4th region for growth.
- AL continues to develop customized products for some of these regions, which continues to aid growth.

- Management has reiterated that it is on track to meet its mid-term export goal of over 25,000 units, aided by market-specific product lines and deeper engagement with overseas partners.
- However, the ongoing geopolitical conflict may lead to some slowdown in the near term for exports.

Impact of the geopolitical conflict

- Needless to say, AL is certainly facing near-term headwinds in demand in the Middle East market, given the ongoing conflict, as the Middle East contributes to almost 35-40% of its exports.
- On the availability of gas, AL continues to work actively with all stakeholders to ensure a smooth supply of gas to them as well as their supply chain. However, there is no clarity as yet as to how long they can continue uninterrupted production.
- Further, input costs are certainly rising, and this remains a key cause of concern. While CU and AI have already surged, even steel prices have surged about 10% in the recent past. The impact of this cost increase is likely to be visible in financials from Q1 onwards. To offset this impact, AL announced a price hike of up to 2% in CVs w.e.f. 1st Apr'26.
- However, beyond this, the key cause of concern from the ongoing geopolitical macro is the mounting crude prices, which, if sustained for longer, will likely limit the country's economic growth. This, along with rising inflation, is likely to be detrimental to CV growth in the future.

Other highlights

- Ashok Leyland has invested in a new 70-acre greenfield plant in Lucknow, which is dedicated to EVs. With an investment of INR 10b, this plant will have a capacity to produce 5k EV CVs p.a.
- At Switch India, the current order book stands at 1,350 units, and the management expects Switch India to be FCF positive in FY27.
- AL has invested INR3b in Ohm Mobility so far in FY26 and has earmarked an additional investment of INR3b for future needs.
- AL has commenced construction of a battery pack manufacturing facility in Tamil Nadu. This project would incur an investment of INR 4-5b.

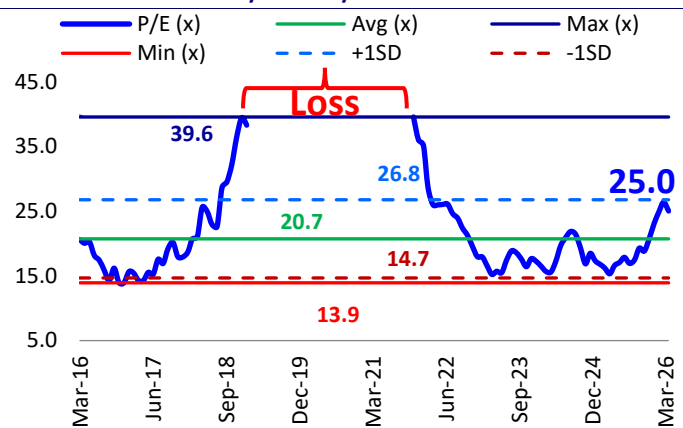
Valuation and view

- **CV demand has revived post-GST rate cuts:** CV demand has recovered in 3Q post-GST rate cuts. Demand revival seems to be broad-based, given that even small fleet operators have now started adding to their fleets. Even beyond the near term, the underlying long-term demand drivers for a CV demand revival are in place and include: 1) the average fleet age has increased to a record high of ~10 years, which is likely to fuel healthy replacement demand; 2) fleet operators' profitability remains strong with healthy utilization levels; 3) the fleet sentiment index remains positive; and 4) reduction in interest rates. Demand has picked up across segments, viz., both MHCVs and LCVs. However, the ongoing conflict in West Asia is likely to have some impact on sentiments in the near term. As a result, we now lower our CV volume growth assumptions for AL to 9% CAGR over FY25-28E (from 11.5% earlier).
- **Focus on reducing business cyclicality:** Over the years, AL has effectively reduced its business cyclicality by focusing on non-truck segments, such as buses (13% of sales), LCVs (12% of sales), spares (10%), exports (8%), and defense (2%). Some of its critical targets in these segments include: 1) a medium-term goal to achieve a 25% share in the LCV sub-segment (2.0-3.5T), up from 20% currently; 2) having already doubled its revenue in spares over the last five years, the next objective is to further double its revenue over the medium term; 3) increasing its presence in exports through new launches and expanding its footprint in key regions; and 4) the potential to significantly scale up its defense business, aided by the government's 'Make in India' initiative.
- **Aiming for profitable growth:** AL's focus on non-truck CV segments has also led to an improving mix, as these are relatively more profitable than the truck business. Further, over the years, AL has been focusing on improving its operational efficiency wherever feasible and hence reducing its cost. Beyond this, over the last few years, the CV industry has been observing remarkable pricing discipline, which has helped all players improve margins. Aided by these factors, AL has set a target to achieve mid-teens margins in the coming years. However, we do expect some input cost pressure to hurt margins in the near term. We now expect AL to post a 50bp margin improvement over FY26-28E.
- **Valuation and view:** AL is expected to emerge as a major beneficiary of a pickup in CV demand. Over the years, AL has effectively reduced its business cyclicality by focusing on non-truck segments. Its continued emphasis on margin expansion and prudent control of capex is expected to help improve returns in the long run. Further, a net cash position will enable AL to invest in growth avenues in the coming years. To factor in the risks due to the ongoing WestAsia conflict, we have now: 1) lowered our volume growth assumptions to 9% CAGR from 11.5% earlier 2) expect some margin pressure in FY27E, before they recover in FY28E, albeit lower than our prior assumptions. Overall, we have lowered our estimates by 13% each for FY27E/FY28E. After the recent correction, the stock is now attractively valued at 21.0x FY27E and at 17.6x FY28E. **Assuming this conflict does not continue beyond Q1FY27, we reiterate our BUY rating on the stock with a TP of INR185 (based on 13x Dec'27E EV/EBITDA + ~INR10/sh for the NBFC).**

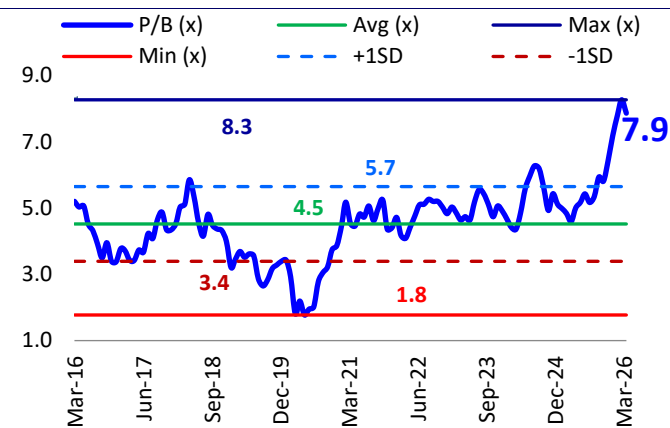
Exhibit 1: Change in Estimates

	FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes ('000 units)	237	246	-3.7	254	271	-6.3
Net Sales	4,81,699	5,01,822	-4.0	5,30,220	5,68,209	-6.7
EBITDA	61,365	69,446	-11.6	72,129	82,437	-12.5
EBITDA margins (%)	12.7	13.8	-110bp	13.6	14.5	-90bp
Net Profit	41,654	47,674	-12.6	49,730	57,513	-13.5
EPS (INR)	7.1	8.1	-12.6	8.5	9.8	-13.5

Exhibit 2: Valuations – P/E and P/B bands



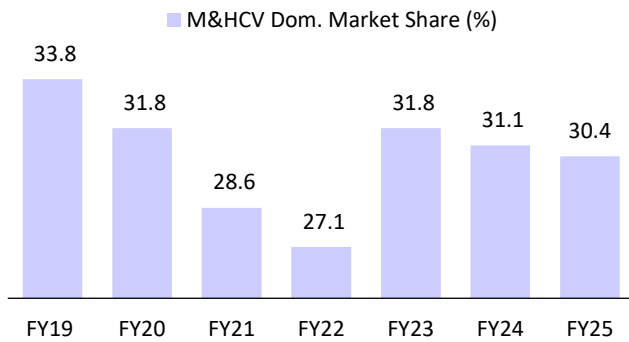
Source: MOFSL



Source: MOFSL

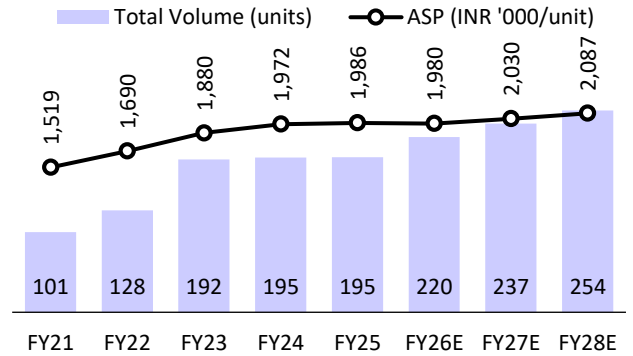
Story in charts

Exhibit 3: AL's market share trend



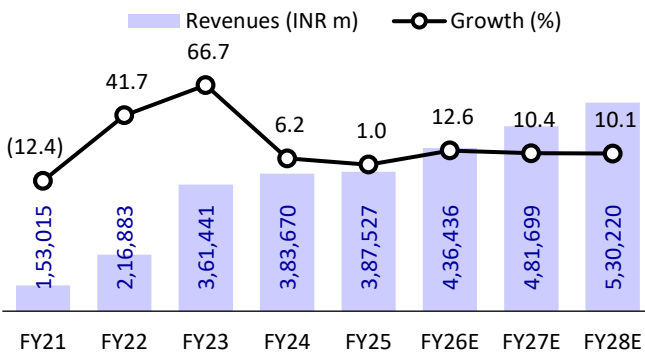
Source: Company, MOFSL

Exhibit 4: Volume and realization growth trends



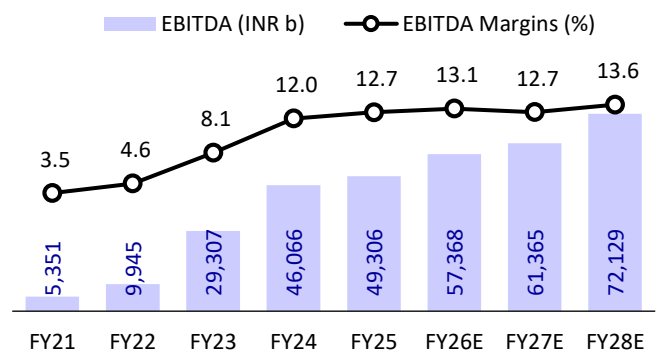
Source: Company, MOFSL

Exhibit 5: Revenue growth trend



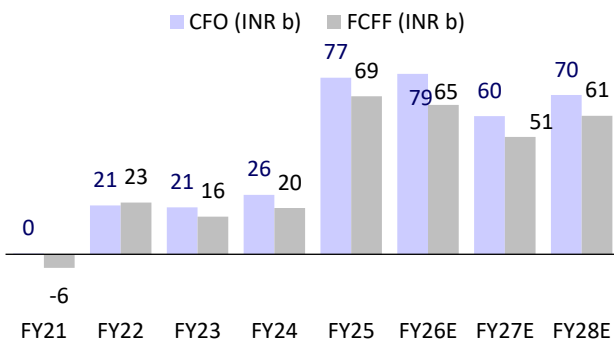
Source: Company, MOFSL

Exhibit 6: EBITDA and EBITDA margin trends



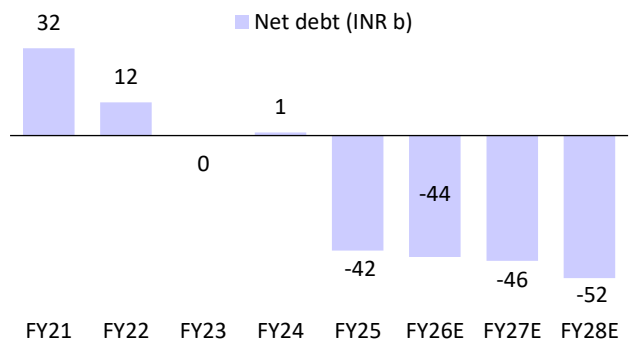
Source: Company, MOFSL

Exhibit 7: CFO and FCFF trends



Source: Company, MOFSL

Exhibit 8: AL became net cash from FY24



Source: Company, MOFSL

Financials and valuations

Income Statement								(INR m)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Volumes ('000 units)	101	128	192	195	195	220	237	254
Growth (%)	-19.6	27.4	49.8	1.2	0.3	13.0	7.7	7.1
Net Operating Income	1,53,015	2,16,883	3,61,441	3,83,670	3,87,527	436,436	481,699	530,220
Change (%)	-12.4	41.7	66.7	6.2	1.0	12.6	10.4	10.1
EBITDA	5,351	9,945	29,307	46,066	49,306	57,368	61,365	72,129
Change (%)	-54.4	85.8	194.7	57.2	7.0	16.4	7.0	17.5
EBITDA Margins (%)	3.5	4.6	8.1	12.0	12.7	13.1	12.7	13.6
Depreciation	7,477	7,528	7,320	7,178	7,193	7,127	7,335	7,573
EBIT	-2,126	2,418	21,987	38,888	42,112	50,240	54,030	64,556
Interest & Fin. Charges	3,068	3,011	2,891	2,494	2,169	1,696	1,359	1,244
Other Income	1,195	761	1,161	2,466	2,503	3,010	3,240	3,440
PBT	-4,119	5,276	21,104	37,922	43,483	48,070	55,911	66,752
Tax	(982)	(142)	7,303	11,743	10,450	12,258	14,257	17,022
Effective Rate (%)	23.8	-2.7	34.6	31.0	24.0	25.5	25.5	25.5
Rep. PAT	-3,137	5,418	13,801	26,179	33,033	35,812	41,654	49,730
Change (%)	-231.0	-272.7	154.7	89.7	26.2	8.4	16.3	19.4
Adjusted PAT	-3,045	172	13,248	26,826	32,245	38,408	41,654	49,730
Change (%)	-188.9	-105.7	7,587.8	102.5	20.2	19.1	8.4	19.4

Balance Sheet								(INR m)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sources of Funds								
Share Capital	2,936	2,936	2,936	2,936	2,937	5,873	5,873	5,873
Reserves	66,837	70,434	81,322	85,167	1,12,251	123,837	141,999	163,832
Net Worth	69,772	73,369	84,258	88,104	1,15,188	129,710	147,872	169,705
Loans	37,163	35,071	32,248	22,994	14,817	12,317	11,317	10,317
Deferred Tax Liability	1,708	1,444	5,035	5,563	5,479	7,882	10,678	14,016
Capital Employed	1,08,642	1,09,884	1,21,541	1,16,661	1,35,484	149,910	169,867	194,038
Application of Funds								
Gross Fixed Assets	1,01,269	1,03,773	1,07,732	1,09,936	1,14,189	124,189	133,189	142,189
Less: Depreciation	35,264	41,626	48,470	54,917	60,233	67,360	74,695	82,268
Net Fixed Assets	66,005	62,146	59,262	55,019	53,956	56,828	58,493	59,920
Capital WIP	3,719	1,943	1,325	2,015	4,248	4,248	4,248	4,248
Goodwill	4,499	4,499	4,499	4,499	4,499	4,499	4,499	4,499
Investments	30,687	48,196	66,636	55,598	86,730	133,730	165,730	197,730
Curr.Assets, L & Adv.	79,590	86,554	94,194	1,18,987	1,05,826	100,667	102,523	109,950
Inventory	21,423	20,752	27,745	31,907	29,573	32,284	35,633	39,222
Sundry Debtors	28,163	31,111	40,627	35,699	28,873	31,089	34,313	37,769
Cash & Bank Balances	5,301	9,943	4,541	19,419	26,598	19,359	12,782	11,169
Loans & Advances	24,702	24,749	21,281	31,962	20,782	17,936	19,796	21,790
Current Liab. & Prov.	75,857	93,454	1,04,375	1,19,457	1,19,774	150,062	165,625	182,308
Sundry Creditors	51,647	68,752	71,751	63,052	73,047	83,700	92,381	101,686
Other Liabilities	17,665	17,997	22,238	42,657	31,386	49,024	54,109	59,559
Provisions	6,545	6,705	10,385	13,748	15,341	17,338	19,136	21,064
Application of Funds	1,08,642	1,09,884	1,21,541	1,16,661	1,35,484	149,910	169,867	194,038

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Basic (INR)								
EPS	-0.5	0.0	2.3	4.6	5.5	6.5	7.1	8.5
EPS Growth (%)	-188.9	NM	7,587.8	102.5	20.2	19.1	8.4	19.4
Cash EPS	0.8	1.3	3.5	5.8	6.7	7.8	8.3	9.8
Book Value per Share	11.9	12.5	14.3	15.0	19.6	22.1	25.2	28.9
DPS	0.3	0.5	1.3	2.5	3.1	3.6	4.0	4.8
Div. Payout (%)	NM	1,703.5	57.6	54.2	56.9	55.4	56.4	56.1
Valuation (x)								
P/E	NM	5,083.2	66.1	32.7	27.2	22.8	21.0	17.6
Cash P/E	197.6	113.8	42.6	25.8	22.2	19.2	17.9	15.3
EV/EBITDA	169.6	89.3	29.9	19.0	16.9	14.5	13.5	11.4
EV/Sales	5.9	4.1	2.4	2.3	2.2	1.9	1.7	1.6
Price to Book Value	12.6	11.9	10.4	9.9	7.6	6.8	5.9	5.2
Dividend Yield (%)	0.2	0.3	0.9	1.7	2.1	2.4	2.7	3.2
Profitability Ratios (%)								
ROE	-4.3	0.2	16.8	31.1	31.7	31.4	30.0	31.3
RoCE	-1.5	2.3	12.4	22.5	25.4	26.2	25.2	26.4
Turnover Ratios								
Debtors (Days)	67	52	41	34	27	26	26	26
Inventory (Days)	51	35	28	30	28	27	27	27
Creditors (Days)	123	116	72	60	69	70	70	70
Working Capital (Days)	-5	-28	-3	4	-14	-17	-17	-17
Fixed-Asset Turnover (x)	2.3	3.5	6.1	7.0	7.2	7.7	8.2	8.8
Leverage Ratio								
Net Debt/Equity (x)	0.5	0.2	0.0	0.0	-0.4	-0.3	-0.3	-0.3

Cash flow Statement

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
(INR m)								
OP/(Loss) before Tax	-4,119	5,276	21,104	37,922	43,483	50,240	54,030	64,556
Int/Div Received	-945	-220	-404	-1,362	-888	3,010	3,240	3,440
Depreciation	7,477	7,528	7,320	7,178	7,193	7,127	7,335	7,573
Direct Taxes Paid	779	714	-4,002	-6,245	-9,407	-9,854	-11,462	-13,684
(Inc)/Dec in Work Cap.	-6,058	15,696	-4,265	-15,229	37,407	28,207	7,130	7,644
Other Items	3,198	-7,633	762	3,705	-631	0	0	0
CF from Oper. Activity	332	21,361	20,514	25,968	77,157	78,731	60,274	69,528
Extra-ordinary Items	-120	5,108	846	-937	1,037	-3,485	0	0
CF after EO Items	211	26,469	21,360	25,031	78,194	75,246	60,274	69,528
(Inc)/Dec in FA+CWIP	-6,166	-3,933	-4,884	-4,815	-9,243	-10,000	-9,000	-9,000
Free Cash Flow	-5,954	22,536	16,477	20,217	68,951	65,246	51,274	60,528
CF from Inv. Activity	-9,752	-14,589	-17,345	9,021	-40,779	-57,000	-41,000	-41,000
Inc/(Dec) in Debt	4,780	-2,721	-3,918	-9,096	-8,353	-2,500	-1,000	-1,000
Interest Rec./ (Paid)	-2,720	-2,755	-2,598	-2,461	-1,491	-1,696	-1,359	-1,244
Dividends Paid	0	-1,761	-2,936	-7,634	-20,408	-21,290	-23,492	-27,897
CF from Fin. Activity	2,060	-7,238	-9,402	-19,175	-30,235	-25,486	-25,851	-30,141
Inc/(Dec) in Cash	-7,481	4,643	-5,387	14,878	7,181	-7,239	-6,577	-1,613
Add: Beginning Balance	12,782	5,300	9,928	4,541	19,417	26,598	19,359	12,781
Closing Balance	5,301	9,943	4,541	19,418	26,598	19,359	12,781	11,169

E: MOFSL Estimates

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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