

## Growth outlook improving; strong margin guidance sustained

Auto &amp; Auto Ancillaries ▶ Result Update ▶ July 27, 2024

TARGET PRICE (Rs): 300

AL posted an inline Q1 (margin up 57bps YoY to 10.6%, despite one-offs related to new-age R&D set-up). AL has turned more positive on volume outlook, expects better margin in FY25 vs FY24, and retains medium term mid-teen margin guidance. We believe MHCVs would enter an upcycle from FY26E after 2 likely flattish years (FY23-25E), amid macros remaining favorable. This, with healthy fleet profitability (refer to [Expert Call](#)), would enable margin expansion at CV OEMs, thus driving strong EPS growth. We raise FY26E EPS by 11%, introduce FY27 estimates (build-in 4%/13% CAGR in MHCV vol./FY24-27E EPS), and retain BUY. We raise our TP to Rs300/sh (from Rs250; on 13x Jun-26E EV/EBITDA+2x P/B for HLFL; implied 22x Jun-26E PER). AL is among the least expensive OEMs (13% EPS CAGR; net-cash balance sheet; >25% RoCE).

## Ashok Leyland: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	361,441	383,670	396,817	420,374	449,947
EBITDA	29,307	46,066	51,183	55,917	61,537
Adj. PAT	12,955	27,116	29,837	35,303	39,160
Adj. EPS (Rs)	4.4	9.2	10.2	12.0	13.3
EBITDA margin (%)	8.1	12.0	12.9	13.3	13.7
EBITDA growth (%)	194.7	57.2	11.1	9.2	10.1
Adj. EPS growth (%)	154.7	89.7	14.0	18.3	10.9
RoE (%)	16.4	31.5	31.9	33.9	33.9
RoIC (%)	24.9	64.8	122.4	141.7	172.3
P/E (x)	55.8	26.7	24.2	20.5	18.5
EV/EBITDA (x)	25.0	15.4	13.8	12.6	11.2
P/B (x)	8.6	8.2	7.3	6.6	5.9
FCFF yield (%)	2.3	2.9	3.6	4.6	6.6

Source: Company, Emkay Research

## In-line performance in Q1

Revenue/EBITDA grew 5%/11% YoY to Rs86bn/Rs.9.1bn (in-line). Margins rose by 57bps YoY (down by 354bps QoQ) to 10.6%; the sequential decline was largely owing to lower volume; gross margin saw a ~40bps dip QoQ. Reported margin featured a material one-off related to R&D costs for battery packs, electric drive units, and software defined vehicles. Overall, adjusted profit stood at Rs5.2bn vs our estimate of Rs5bn.

## Earnings Call KTAs

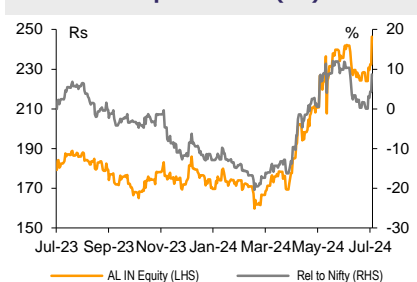
1) The company turned more optimistic on the CV outlook; a traditionally weaker Q1 has clocked 10% growth this year, contrary to fears of a slow down; Q2 is witnessing good momentum on-ground; macros remain supportive and public infra thrust is still in place, with profitability of fleet operators also healthy; AL expects some growth this year, with flattish performance in the worst case. 2) Replacement demand is yet to kick in, with average fleet age at an all-time high of ~10-11 years vs. LTA of ~7-8 years; this grants confidence on a positive outlook over coming 2-3 years; ~50% of the current truck parc belongs to BS-3 or earlier era and would see natural replacement at some point. 3) Within trucks, all segments are expected to do well except for the multi axle haulage category, which is seeing some shift to tractor-trailers. 4) Dedicated Freight Corridors (DFCs) are not seen impacting heavy truck demand over the next 2 years, as the related ecosystem around it still needs to develop. 5) AL is confident of market-share gains in MHCVs and LCVs, driven by product launches (e.g. 6 launches in LCVs this year, along with launches for the school and staff bus segment). 6) EV transition in buses is happening faster than anticipated; AL is participating in tenders and has ~1,400 deliveries lined up over coming quarters. 7) AL continues to aspire for mid-teen margins over the medium term; it expects full year margins this year to be higher than in FY24 driven by continued pricing discipline, operating leverage, stable RM, further cost actions, and improving mix. 8) The defense order pipeline is strong; AL expects to double FY24 revenue in 2-3 years. 9) Investment spends for FY24 stand at ~Rs5-7.5bn.

Target Price – 12M	Jun-25
Change in TP (%)	20.0
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	21.8
CMP (26-Jul-24) (Rs)	246.4

Stock Data	Ticker
52-week High (Rs)	249
52-week Low (Rs)	158
Shares outstanding (mn)	2,936.4
Market-cap (Rs bn)	723
Market-cap (USD mn)	8,641
Net-debt, FY25E (Rs mn)	-15,530
ADTV-3M (mn shares)	19
ADTV-3M (Rs mn)	4,178.3
ADTV-3M (USD mn)	49.9
Free float (%)	48.5
Nifty-50	24,835
INR/USD	83.7
<b>Shareholding, Jun-24</b>	
Promoters (%)	51.1
FPIs/MFs (%)	21.9/14.0

Price Performance			
(%)	1M	3M	12M
Absolute	2.6	33.2	36.0
Rel. to Nifty	(1.4)	20.2	8.3

## 1-Year share price trend (Rs)



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**Exhibit 1: Q1FY25 snapshot – Revenue up 5% YoY amid ~6% volume growth; ASPs down ~2% QoQ**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Revenue	90,297	116,257	81,893	96,380	92,730	112,667	85,985	5.0	(23.7)
Expenditure	82,323	103,499	73,685	85,583	81,591	96,746	76,877	4.3	(20.5)
<i>as % of sales</i>	91.2	89.0	90.0	88.8	88.0	85.9	89.4		
Consumption of RM	68,859	87,887	60,372	70,866	66,977	80,906	62,046	2.8	(23.3)
<i>as % of sales</i>	76.3	75.6	73.7	73.5	72.2	71.8	72.2		
Employee Cost	5,495	5,919	5,376	5,728	5,695	5,535	5,498	2.3	(0.7)
<i>as % of sales</i>	6.1	5.1	6.6	5.9	6.1	4.9	6.4		
Other expenditure	7,970	9,693	7,938	8,989	8,919	10,305	9,333	17.6	(9.4)
<i>as % of sales</i>	8.8	8.3	9.7	9.3	9.6	9.1	10.9		
EBITDA	7,973	12,757	8,208	10,798	11,139	15,921	9,109	11.0	(42.8)
EBITDA margin (%)	8.8	11.0	10.0	11.2	12.0	14.1	10.6		
Depreciation	1,890	1,838	1,794	1,803	1,785	1,797	1,727	(3.7)	(3.9)
EBIT	6,084	10,919	6,414	8,995	9,355	14,124	7,382	15.1	(47.7)
Other Income	316	389	512	475	300	1,179	223	(56.4)	(81.1)
Interest	804	628	699	587	616	592	591	(15.5)	(0.3)
PBT	5,596	10,681	6,227	8,883	9,039	14,711	7,014	12.6	(52.3)
Total Tax	2,052	3,731	457	3,044	3,232	5,010	1,759	284.9	(64.9)
Adjusted PAT	3,544	6,950	5,770	5,839	5,806	9,701	5,256	(8.9)	(45.8)
Extra ordinary items Loss/(Gain)	69	564	(6)	(229)	(6)	(697)	-	(100.0)	(100.0)
Reported PAT	3,613	7,514	5,764	5,610	5,800	9,004	5,256	(8.8)	(41.6)
Adjusted EPS	1.2	2.4	2.0	2.0	2.0	3.3	1.8		
(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (bps)	QoQ (bps)
EBITDAM	8.8	11.0	10.0	11.2	12.0	14.1	10.6	57	(354)
EBITM	6.7	9.4	7.8	9.3	10.1	12.5	8.6	75	(395)
EBTM	6.2	9.2	7.6	9.2	9.7	13.1	8.2	55	(490)
PATM	3.9	6.0	7.0	6.1	6.3	8.6	6.1	(93)	(250)
Effective Tax rate	36.7	34.9	7.3	34.3	35.8	34.1	25.1	1,773	(899)

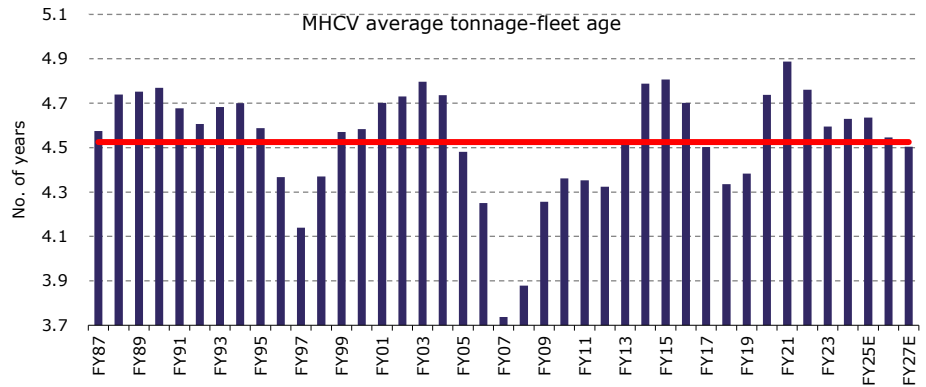
Source: Company, Emkay Research

**Exhibit 2: Actual vs. estimates**

(Rs mn)	Actual	Emkay Est	Variance	Consensus	% Variance
Net sales	85,985	86,961	(1.1)	87,800	(2.1)
EBITDA	9,109	9,218	(1.2)	9,680	(5.9)
EBITDA margin (%)	10.6	10.6	-1 bps	11.0	-43 bps
Adj net income	5,256	5,006	5.0	5,473	(4.0)
FDEPS (Rs)	1.8	1.7	5.0	1.9	(4.0)

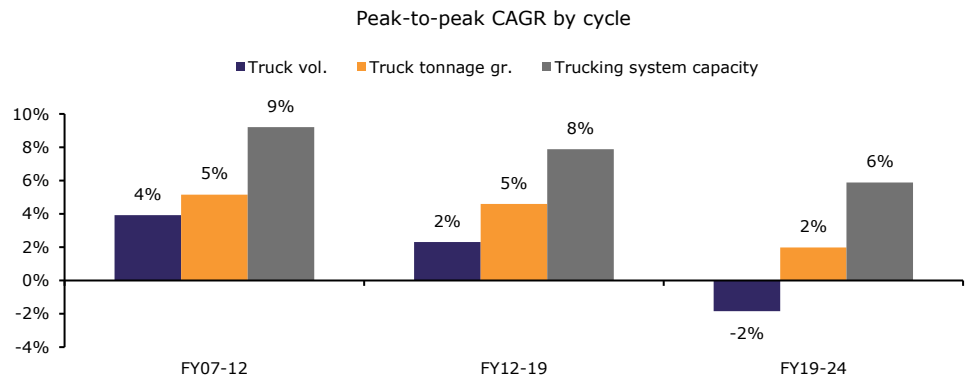
Source: Company, Bloomberg, Emkay Research

**Exhibit 3: A sharp replacement-led upturn seen in truck industry volumes since FY21; average fleet age to start dipping below the LTA going forward, as replacement demand kicks-in**



Source: SIAM, Emkay Research

**Exhibit 4: Trucking system capacity rise in the current cycle is akin to that in the previous two cycles, even though industry volumes are flattish over the same period**



Source: Emkay Research

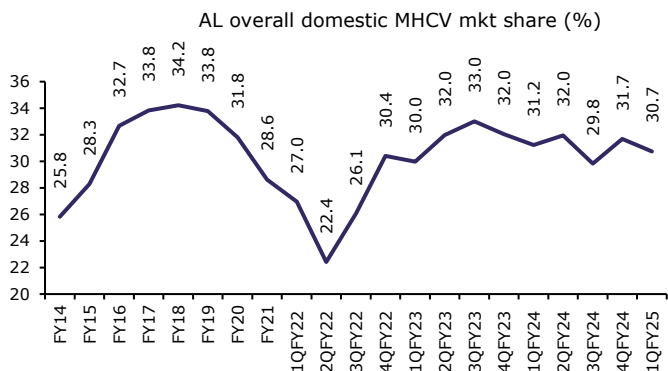
**Exhibit 5: MHCV retails have improved in July, rising 2% YoY on MTD basis**

Vahan registrations	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	July-24MTD
2W	1,230,518	1,257,567	1,313,601	1,512,263	2,255,523	1,450,404	1,455,217	1,438,876	1,526,780	1,640,857	1,531,967	1,374,227	1,174,044
PV	268,660	297,480	314,506	339,921	351,861	279,154	362,137	305,328	291,327	306,853	275,277	257,787	232,390
3W	97,151	102,935	105,089	109,008	101,898	95,366	97,205	94,861	105,115	80,037	98,188	94,226	86,911
MHCV	22,990	24,953	27,410	31,912	28,396	24,301	30,076	28,851	30,393	32,972	26,930	22,126	20,610
LCV	46,538	47,619	49,753	55,192	53,751	47,040	53,156	51,351	51,455	47,214	46,513	41,360	37,411
Tractor	84,465	68,406	48,968	55,339	55,082	72,233	83,315	70,554	72,166	51,561	64,063	65,092	58,138

Growth YoY (%)	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	July-24MTD
2W	9	7	22	(12)	22	28	15	13	5	33	2	5	12
PV	2	4	17	(2)	19	2	9	8	(10)	13	(4)	(9)	4
3W	85	77	59	58	30	43	41	28	20	10	20	5	6
MHCV	8	11	11	21	(1)	(0)	(1)	(4)	(16)	(5)	(4)	(7)	2
LCV	(4)	0	(2)	5	(8)	(5)	(7)	(2)	(8)	(2)	2	(9)	(4)
Tractor	25	16	(8)	3	(22)	2	24	13	(2)	3	(1)	(27)	(18)

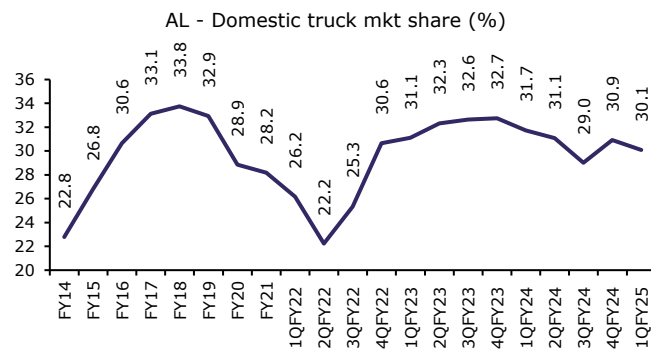
Source: Vahan, Emkay Research; Note: July MTD as of 25-Jul

**Exhibit 6: AL has largely sustained its overall MHCV market share**



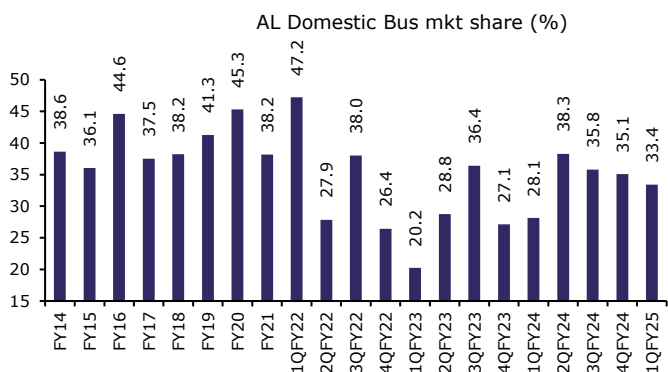
Source: SIAM, Emkay Research

**Exhibit 7: Slight dip in AL's domestic truck market share in Q1FY25**



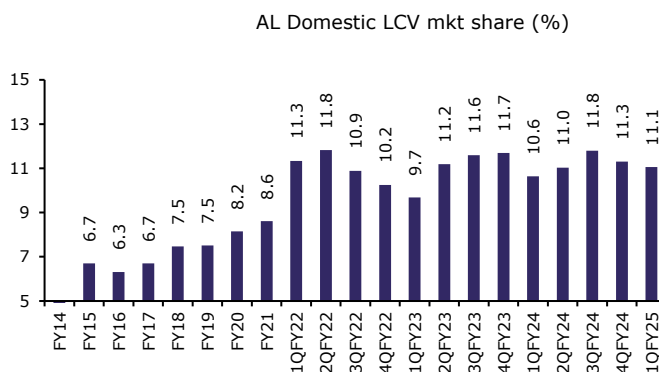
Source: SIAM, Emkay Research

**Exhibit 8: Bus market share, though comfortably above the recent lows, has dipped by ~170bps QoQ in Q1FY25**



Source: SIAM, Emkay Research; Note: includes Switch Mobility

**Exhibit 9: AL's LCV market share is largely intact**



Source: SIAM, Emkay Research

**Exhibit 10: AL's truck market share slightly dipped in Q1FY25 vs Q4FY23**

AL - market share (%)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
<b>MHCV – Passenger</b>										
7.5-14.5 MT	15.8	11.5	12.5	18.3	17.3	19.0	17.9	14.1	15.7	15.6
14.5-18.5 MT	44.4	52.8	65.8	56.6	44.7	56.7	67.6	60.9	61.4	66.4
Over 18.5 MT	-	-	-	-	18.2	-	37.8	100.0	100.0	-
<b>Total</b>	<b>26.4</b>	<b>20.2</b>	<b>28.8</b>	<b>36.4</b>	<b>27.1</b>	<b>28.1</b>	<b>38.3</b>	<b>35.8</b>	<b>35.1</b>	<b>33.4</b>
<b>MHCV – Goods</b>										
7.5 - 12 MT	8.1	9.6	10.2	11.3	10.4	16.7	12.3	13.6	17.6	24.5
12 - 16.2 MT	29.9	32.7	29.2	26.6	27.5	33.6	35.8	36.0	50.0	49.4
16.2 - 25 MT	30.3	29.6	39.9	36.7	28.9	36.9	33.9	27.8	25.8	28.1
Over 25 MT	38.7	38.6	39.5	38.3	39.9	35.5	34.9	32.4	35.4	31.8
Tractor Trailers	27.6	26.0	27.5	32.0	34.7	27.2	30.9	30.7	31.7	29.5
<b>Total</b>	<b>30.6</b>	<b>31.1</b>	<b>32.3</b>	<b>32.6</b>	<b>32.7</b>	<b>31.7</b>	<b>31.1</b>	<b>29.0</b>	<b>30.9</b>	<b>30.1</b>

Source: Company, Emkay Research

**Exhibit 11: Truck product mix – Truck industry's product mix in Q1FY25 has converged with AL's**

Industry truck mix (%)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
7.5 - 12 MT	12.6	12.2	12.5	10.4	9.7	11.3	12.4	11.7	11.6	13.6
12 - 16.2 MT	19.1	17.5	14.7	12.8	8.6	6.8	6.2	6.0	4.8	4.0
16.2 - 25 MT	11.9	13.0	14.7	14.7	19.0	19.9	20.2	22.3	23.8	24.7
Over 25 MT	42.9	43.2	41.1	44.6	40.7	40.4	40.0	38.9	37.5	35.1
Tractor Trailers	13.5	14.0	17.0	17.6	22.0	21.7	21.3	21.1	22.3	22.6
<b>Over 16T total</b>	<b>68.3</b>	<b>70.3</b>	<b>72.8</b>	<b>76.8</b>	<b>81.7</b>	<b>81.9</b>	<b>81.4</b>	<b>82.3</b>	<b>83.6</b>	<b>82.4</b>

AL truck mix (%)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
7.5 - 12 MT	3.3	3.8	4.0	3.6	3.1	6.0	4.9	5.5	6.6	11.1
12 - 16.2 MT	18.6	18.4	13.3	10.4	7.2	7.2	7.1	7.4	7.8	6.6
16.2 - 25 MT	11.8	12.4	18.2	16.5	16.8	23.1	22.0	21.4	19.9	23.1
Over 25 MT	54.1	53.7	50.1	52.3	49.6	45.2	44.9	43.4	43.0	37.1
Tractor Trailers	12.1	11.7	14.4	17.2	23.3	18.6	21.1	22.3	22.8	22.1
<b>Over 16T total</b>	<b>78.0</b>	<b>77.8</b>	<b>82.7</b>	<b>86.0</b>	<b>89.7</b>	<b>86.8</b>	<b>88.0</b>	<b>87.1</b>	<b>85.6</b>	<b>82.3</b>

Source: SIAM, Emkay Research

**Exhibit 12: Domestic CVs – Player-wise, segmental market share over the years**

Market share (%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Q1FY25
Domestic Buses												
AL (incl. Switch)	38.6	36.1	44.6	37.5	38.2	41.3	45.3	38.2	32.1	28.0	34.5	33.4
TTMT	40.1	40.1	34.0	38.5	37.2	36.5	37.0	34.3	38.3	29.8	30.2	33.0
Others	21.3	23.8	21.4	24.0	24.6	22.2	17.7	27.5	29.6	42.2	35.3	33.6

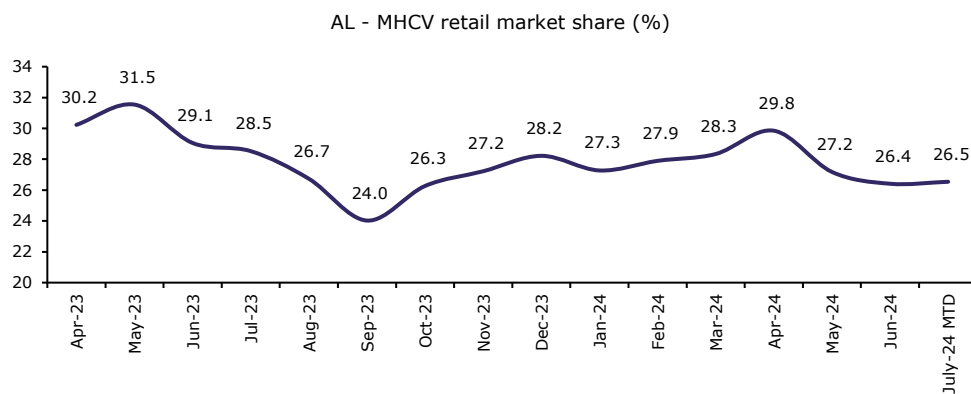
Domestic Trucks												
Up to 16.2T												
AL	20.7	22.0	25.8	29.1	27.0	28.4	29.9	23.1	18.3	20.5	22.8	30.2
TTMT	51.8	49.6	46.2	42.1	41.2	42.1	40.2	40.7	46.2	40.5	33.8	35.4
VECV	24.4	25.5	24.9	25.1	29.4	26.9	26.3	30.9	30.5	34.2	36.3	28.3
Others	3.0	3.0	3.0	3.8	2.5	2.5	3.6	5.4	5.0	4.8	7.1	6.1

Above 16.2T												
AL	24.5	29.5	33.2	35.3	36.7	35.2	28.3	30.8	31.2	36.0	32.3	30.1
TTMT	64.0	61.3	59.5	56.1	54.9	56.4	60.2	58.0	58.2	52.5	52.8	54.1
VECV	3.8	3.4	3.5	4.4	3.9	3.8	7.2	8.7	8.4	9.6	12.5	13.3
Others	7.6	5.8	3.8	4.1	4.5	4.6	4.4	2.4	2.3	1.9	2.3	2.5

Domestic LCVs												
AL	6.3	6.7	7.5	7.5	8.2	8.6	9.1	11.4	11.0	11.0	11.2	11.1
TTMT	48.1	42.8	38.6	38.1	40.4	40.8	39.0	38.8	40.1	36.0	32.2	30.4
M&M	36.4	39.1	41.4	42.0	39.9	38.3	39.1	37.5	36.3	40.1	42.8	43.9
Others	9.2	11.4	12.5	12.5	11.5	12.2	12.9	12.3	12.6	12.8	13.7	14.7

Source: SIAM, Emkay Research

## Exhibit 13: AL has largely sustained its MHCV retail market share



Source: Vahan, Emkay Research; Note: July MTD as of 25-Jul

## Exhibit 14: We expect ~2%/4% growth in domestic MHCVs/overall CV industry, respectively, over FY24-27E

(No. of units)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Domestic MHCVs	390,557	224,428	160,688	240,577	359,003	373,194	372,263	384,159	400,479
Growth YoY (%)	14.7	(42.5)	(28.4)	49.7	49.2	4.0	(0.2)	3.2	4.2
Passenger (Buses)	39,539	40,016	7,322	11,804	38,410	53,136	55,261	57,472	59,771
Growth YoY (%)	10.2	1.2	(81.7)	61.2	225.4	38.3	4.0	4.0	4.0
Goods (Trucks)	351,018	184,412	153,366	228,773	320,593	320,058	317,002	326,688	340,709
Growth YoY (%)	15.2	(47.5)	(16.8)	49.2	40.1	(0.2)	(1.0)	3.1	4.3
7.5-12T	76,330	41,175	27,962	34,822	35,298	37,667	38,420	39,573	41,552
Growth YoY (%)	33.8	(46.1)	(32.1)	24.5	1.4	6.7	2.0	3.0	5.0
12-16.2T	40,691	26,549	24,945	42,555	41,276	18,790	19,917	20,714	21,750
Growth YoY (%)	15.7	(34.8)	(6.0)	70.6	(3.0)	(54.5)	6.0	4.0	5.0
16.2-25T	77,613	47,475	25,832	30,405	50,472	69,334	70,721	72,135	74,660
Growth YoY (%)	41.9	(38.8)	(45.6)	17.7	66.0	37.4	2.0	2.0	3.5
>25T	85,037	49,697	60,747	93,256	135,475	125,178	119,545	123,131	128,057
Growth YoY (%)	14.4	(41.6)	22.2	53.5	45.3	(7.6)	(4.5)	3.0	4.0
Tractor trailers	71,347	19,516	13,880	27,735	58,072	69,089	68,398	71,134	74,691
Growth YoY (%)	(14.5)	(72.6)	(28.9)	99.8	109.4	19.0	(1.0)	4.0	5.0
<b>Domestic LCVs</b>	<b>616,580</b>	<b>492,882</b>	<b>407,871</b>	<b>475,989</b>	<b>603,465</b>	<b>594,864</b>	<b>618,659</b>	<b>649,591</b>	<b>682,071</b>
Growth YoY (%)	19.5	(20.1)	(17.2)	16.7	26.8	(1.4)	4.0	5.0	5.0
<b>Export MHCVs</b>	<b>48,676</b>	<b>22,333</b>	<b>17,548</b>	<b>32,181</b>	<b>22,067</b>	<b>18,225</b>	<b>20,048</b>	<b>22,052</b>	<b>24,257</b>
Growth YoY (%)	10.4	(54.1)	(21.4)	83.4	(31.4)	(17.4)	10.0	10.0	10.0
<b>Export LCVs</b>	<b>51,257</b>	<b>36,551</b>	<b>32,786</b>	<b>60,116</b>	<b>56,578</b>	<b>47,591</b>	<b>52,350</b>	<b>57,585</b>	<b>63,344</b>
Growth YoY (%)	(2.9)	(28.7)	(10.3)	83.4	(5.9)	(15.9)	10.0	10.0	10.0
<b>Total MHCVs</b>	<b>439,233</b>	<b>246,761</b>	<b>178,236</b>	<b>272,758</b>	<b>381,070</b>	<b>391,419</b>	<b>392,310</b>	<b>406,212</b>	<b>424,737</b>
Growth YoY (%)	14.2	(43.8)	(27.8)	53.0	39.7	2.7	0.2	3.5	4.6
<b>Total LCVs</b>	<b>667,837</b>	<b>529,433</b>	<b>440,657</b>	<b>536,105</b>	<b>660,043</b>	<b>642,455</b>	<b>671,009</b>	<b>707,177</b>	<b>745,415</b>
Growth YoY (%)	17.4	(20.7)	(16.8)	21.7	23.1	(2.7)	4.4	5.4	5.4
<b>Grand total</b>	<b>1,107,070</b>	<b>776,194</b>	<b>618,893</b>	<b>808,863</b>	<b>1,041,113</b>	<b>1,033,874</b>	<b>1,063,319</b>	<b>1,113,388</b>	<b>1,170,151</b>
Growth YoY (%)	16.1	(29.9)	(20.3)	30.7	28.7	(0.7)	2.8	4.7	5.1

Source: SIAM, Emkay Research

**Exhibit 15: Revenue model – We build in 4%/13% volume/EPS CAGR over FY24-27E**

Revenue Model - AL	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Avg. monthly vol. (units)	11,905	6,550	4,314	6,157	10,338	10,427	10,554	10,957	11,631
MHCVs (no. of units)	142,858	78,594	51,769	73,885	124,057	125,120	126,654	131,480	139,566
Growth (%)	8.7	(45.0)	(34.1)	42.7	67.9	0.9	1.2	3.8	6.2
Avg. monthly vol. (units)	4,542	3,887	4,076	4,537	5,679	5,814	6,042	6,357	6,689
LCVs (no. of units)	54,508	46,646	48,908	54,441	68,148	69,763	72,509	76,289	80,274
Growth (%)	25.5	(14.4)	4.8	11.3	25.2	2.4	3.9	5.2	5.2
Share of MHCVs in total vol. (%)	72.4	62.8	51.4	57.6	64.5	64.2	63.6	63.3	63.5
<b>Volumes (no. of units)</b>	<b>197,366</b>	<b>125,240</b>	<b>100,677</b>	<b>128,326</b>	<b>192,205</b>	<b>194,883</b>	<b>199,163</b>	<b>207,769</b>	<b>219,840</b>
Growth (%)	12.9	(36.5)	(19.6)	27.5	49.8	1.4	2.2	4.3	5.8
ASP (Rs/unit)	1,472,136	1,394,720	1,519,856	1,690,093	1,880,499	1,968,721	1,992,425	2,023,275	2,046,707
Growth (%)	(2.3)	(5.3)	9.0	11.2	11.3	4.7	1.2	1.5	1.2
<b>Revenue</b>	<b>290,550</b>	<b>174,675</b>	<b>153,015</b>	<b>216,883</b>	<b>361,441</b>	<b>383,670</b>	<b>396,817</b>	<b>420,374</b>	<b>449,947</b>
Growth (%)	10.2	(39.9)	(12.4)	41.7	66.7	6.2	3.4	5.9	7.0
EBITDA	31,357	11,737	5,351	9,945	29,307	46,066	51,183	55,917	61,537
<b>EBITDA margin (%)</b>	<b>10.8</b>	<b>6.7</b>	<b>3.5</b>	<b>4.6</b>	<b>8.1</b>	<b>12.0</b>	<b>12.9</b>	<b>13.3</b>	<b>13.7</b>
EBITDA growth (%)	5.8	(62.6)	(54.4)	85.8	194.7	57.2	11.1	9.2	10.1
EBITDA/unit (Rs)	158,879	93,712	53,154	77,499	152,478	236,377	256,990	269,130	279,918
EBIT	25,365	5,348	(1,945)	2,826	22,444	39,385	43,587	47,725	52,879
EBIT margin (%)	8.7	3.1	(1.3)	1.3	6.2	10.3	11.0	11.4	11.8
PBT	25,543	5,177	(3,999)	168	20,258	38,859	43,221	47,387	52,563
Tax	5,280	1,452	(982)	(142)	7,303	11,743	13,384	12,084	13,404
Tax rate (%)	21	28	25	(85)	36	30	31	26	26
PAT	20,263	3,726	(3,016)	310	12,955	27,116	29,837	35,303	39,160
<b>EPS (Rs)</b>	<b>6.9</b>	<b>1.3</b>	<b>(1.0)</b>	<b>0.1</b>	<b>4.4</b>	<b>9.2</b>	<b>10.2</b>	<b>12.0</b>	<b>13.3</b>
Net debt/(cash) (Rs mn)	(7,412)	19,589	29,183	15,518	10,526	(14,327)	(15,530)	(21,011)	(33,763)
ROE (%)	26	5	-4	0	16	31	32	34	34
<b>ROCE (%)</b>	<b>20</b>	<b>4</b>	<b>-1</b>	<b>2</b>	<b>14</b>	<b>25</b>	<b>28</b>	<b>28</b>	<b>28</b>

Source: Company, Emkay Research

**Exhibit 16: Change in estimates – We raise FY25E/FY26E EPS by 7%/11% on higher margins, and introduce FY27E**

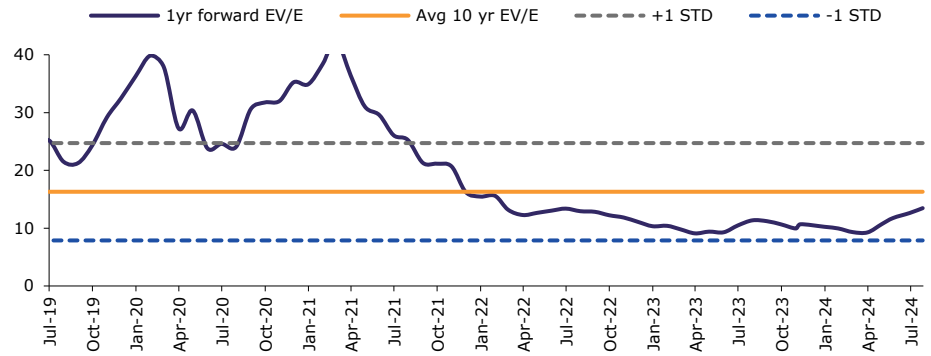
Rs mn	FY25E				FY26E				FY27E	
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Introduced	% YoY
Volume	197,384	199,163	0.9	2.2	206,284	207,769	0.7	4.3	219,840	5.8
Revenue	399,402	396,817	(0.6)	3.4	420,511	420,374	(0.0)	5.9	449,947	7.0
EBITDA	48,313	51,183	5.9	11.1	50,692	55,917	10.3	9.2	61,537	10.1
EBITDA margin (%)	12.1	12.9	80 bps	89 bps	12.1	13.3	125 bps	40 bps	13.7	37 bps
Adj PAT	27,928	29,837	6.8	10.0	31,747	35,303	11.2	18.3	39,160	10.9
EPS (Rs)	9.5	10.2	7.0	10.0	10.8	12.0	11.3	18.3	13.3	10.9

Source: Emkay Research

**Exhibit 17: Emkay vs. Consensus estimates**

Ashok Leyland	Emkay Estimates			Bloomberg estimates			Difference		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenue	396,817	420,374	449,947	414,735	448,963	485,518	-4.3%	-6.4%	-7.3%
EBITDA	51,183	55,917	61,537	50,636	54,969	58,382	1.1%	1.7%	5.4%
EBITDA margin (%)	12.9	13.3	13.7	12.2	12.2	12.0	69 bps	106 bps	165 bps
EPS (Rs)	10.2	12.0	13.3	10.7	11.8	13.9	-5.2%	1.8%	-3.9%

Source: Bloomberg, Emkay Research

**Exhibit 18: AL trades below its LTA on EV/EBITDA basis**

Source: Bloomberg, Emkay Research

**Exhibit 19: AL is among the least expensive stocks in Auto OEMs**

	EPS CAGR	P/E (x)		EV/EBITDA (x)		P/BV (x)	
	FY24-26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Ashok Leyland	14%	24.2	20.5	13.8	12.6	7.3	6.6
Bajaj Auto	26%	30.2	27.4	23.1	20.6	10.6	10.3
TVS Motor	29%	40.1	34.4	25.6	21.9	12.1	9.9
Hero Motocorp	12%	23.1	21.2	16.5	15.0	5.8	5.5
Eicher Motors (Consol)	7%	34.1	31.8	25.6	22.2	6.6	5.7
Maruti Suzuki	8%	28.2	26.3	17.9	16.0	4.4	4.0
Tata Motors (Consol)	14%	18.7	15.1	7.1	6.0	3.9	3.1
Mahindra & Mahindra*	11%	29.0	27.5	23.6	21.3	5.9	5.2
Escorts Kubota	25%	34.0	28.4	25.6	20.6	4.5	4.0

Source: Bloomberg, Emkay Research



## Ashok Leyland: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>361,441</b>	<b>383,670</b>	<b>396,817</b>	<b>420,374</b>	<b>449,947</b>
Revenue growth (%)	66.7	6.2	3.4	5.9	7.0
<b>EBITDA</b>	<b>29,307</b>	<b>46,066</b>	<b>51,183</b>	<b>55,917</b>	<b>61,537</b>
EBITDA growth (%)	194.7	57.2	11.1	9.2	10.1
Depreciation & Amortization	7,320	7,178	8,133	8,676	9,093
<b>EBIT</b>	<b>21,987</b>	<b>38,888</b>	<b>43,049</b>	<b>47,241</b>	<b>52,444</b>
EBIT growth (%)	809.5	76.9	10.7	9.7	11.0
Other operating income	0	0	0	0	0
Other income	1,161	2,466	2,506	2,550	2,605
Financial expense	2,891	2,494	2,334	2,405	2,486
<b>PBT</b>	<b>20,258</b>	<b>38,859</b>	<b>43,221</b>	<b>47,387</b>	<b>52,563</b>
Extraordinary items	0	0	0	0	0
Taxes	7,303	11,743	13,384	12,084	13,404
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>13,801</b>	<b>26,179</b>	<b>29,837</b>	<b>35,303</b>	<b>39,160</b>
PAT growth (%)	154.7	89.7	14.0	18.3	10.9
<b>Adjusted PAT</b>	<b>12,955</b>	<b>27,116</b>	<b>29,837</b>	<b>35,303</b>	<b>39,160</b>
<b>Diluted EPS (Rs)</b>	<b>4.4</b>	<b>9.2</b>	<b>10.2</b>	<b>12.0</b>	<b>13.3</b>
Diluted EPS growth (%)	154.7	89.7	14.0	18.3	10.9
<b>DPS (Rs)</b>	<b>2.6</b>	<b>5.0</b>	<b>6.5</b>	<b>8.5</b>	<b>9.0</b>
<b>Dividend payout (%)</b>	<b>55.3</b>	<b>55.5</b>	<b>64.0</b>	<b>70.7</b>	<b>67.5</b>
EBITDA margin (%)	8.1	12.0	12.9	13.3	13.7
EBIT margin (%)	6.1	10.1	10.8	11.2	11.7
Effective tax rate (%)	36.0	30.2	31.0	25.5	25.5
<b>NOPLAT (pre-IndAS)</b>	<b>14,061</b>	<b>27,136</b>	<b>29,719</b>	<b>35,194</b>	<b>39,071</b>
Shares outstanding (mn)	2,936.1	2,936.1	2,936.1	2,936.1	2,936.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	20,258	38,859	43,221	47,387	52,563
Others (non-cash items)	13,716	(31,615)	6,611	6,423	11,629
Taxes paid	(4,002)	(6,245)	(13,427)	(12,131)	(13,456)
Change in NWC	(9,458)	24,970	(3,834)	(3,912)	555
<b>Operating cash flow</b>	<b>21,360</b>	<b>25,031</b>	<b>32,571</b>	<b>37,766</b>	<b>51,291</b>
Capital expenditure	(4,257)	(4,815)	(7,000)	(5,796)	(6,096)
Acquisition of business	(13,537)	12,404	(7,500)	(5,000)	(5,000)
Interest & dividend income	448	0	0	0	0
<b>Investing cash flow</b>	<b>(17,345)</b>	<b>9,021</b>	<b>(14,500)</b>	<b>(10,796)</b>	<b>(11,096)</b>
Equity raised/(repaid)	1	0	0	0	0
Debt raised/(repaid)	4,286	(20,708)	676	707	887
Payment of lease liabilities	(177)	0	0	0	0
Interest paid	(2,891)	(2,494)	(2,334)	(2,405)	(2,486)
Dividend paid (incl tax)	(7,634)	(14,534)	(19,085)	(24,957)	(26,425)
Others	(3,057)	33,052	4,551	5,872	1,468
<b>Financing cash flow</b>	<b>(9,472)</b>	<b>(4,684)</b>	<b>(16,192)</b>	<b>(20,783)</b>	<b>(26,556)</b>
Net chg in Cash	(5,457)	29,369	1,879	6,188	13,639
OCF	21,360	25,031	32,571	37,766	51,291
Adj. OCF (w/o NWC chg.)	30,818	61	36,405	41,678	50,736
FCFF	17,104	20,217	25,571	31,970	45,195
FCFE	14,660	17,722	23,237	29,566	42,709
OCF/EBITDA (%)	72.9	54.3	63.6	67.5	83.3
FCFE/PAT (%)	106.2	67.7	77.9	83.7	109.1
<b>FCFF/NOPLAT (%)</b>	<b>121.6</b>	<b>74.5</b>	<b>86.0</b>	<b>90.8</b>	<b>115.7</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	2,936	2,936	2,936	2,936	2,936
Reserves & Surplus	81,322	85,167	95,920	106,266	119,000
<b>Net worth</b>	<b>84,258</b>	<b>88,104</b>	<b>98,856</b>	<b>109,202</b>	<b>121,937</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	5,035	5,563	5,520	5,472	5,420
<b>Total debt</b>	<b>43,253</b>	<b>22,545</b>	<b>23,221</b>	<b>23,928</b>	<b>24,815</b>
<b>Total liabilities &amp; equity</b>	<b>132,547</b>	<b>116,212</b>	<b>127,597</b>	<b>138,602</b>	<b>152,171</b>
Net tangible fixed assets	47,479	43,955	40,933	39,257	35,960
Net intangible assets	8,694	8,694	8,694	8,694	8,694
Net ROU assets	2,370	2,370	2,370	2,370	2,370
Capital WIP	1,325	2,015	3,904	2,700	3,000
Goodwill	4,499	4,499	4,499	4,499	4,499
Investments [JV/Associates]	38,922	53,107	60,607	65,607	70,607
<b>Cash &amp; equivalents</b>	<b>32,727</b>	<b>36,872</b>	<b>38,751</b>	<b>44,939</b>	<b>58,578</b>
Current assets (ex-cash)	89,182	83,945	88,995	96,582	103,376
Current Liab. & Prov.	92,651	1,19,245	121,157	126,046	134,913
<b>NWC (ex-cash)</b>	<b>(3,469)</b>	<b>(35,301)</b>	<b>(32,162)</b>	<b>(29,464)</b>	<b>(31,537)</b>
<b>Total assets</b>	<b>132,547</b>	<b>116,212</b>	<b>127,597</b>	<b>138,602</b>	<b>152,171</b>
Net debt	10,526	(14,327)	(15,530)	(21,011)	(33,763)
Capital employed	132,547	116,212	127,597	138,602	152,171
<b>Invested capital</b>	<b>59,572</b>	<b>24,217</b>	<b>24,333</b>	<b>25,356</b>	<b>19,986</b>
BVPS (Rs)	28.7	30.0	33.7	37.2	41.5
Net Debt/Equity (x)	0.1	(0.2)	(0.2)	(0.2)	(0.3)
Net Debt/EBITDA (x)	0.4	(0.3)	(0.3)	(0.4)	(0.5)
Interest coverage (x)	0.1	0.1	0.1	0.0	0.0
<b>RoCE (%)</b>	<b>14.1</b>	<b>24.9</b>	<b>28.0</b>	<b>28.1</b>	<b>28.4</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	55.8	26.7	24.2	20.5	18.5
P/CE(x)	35.7	21.1	19.1	16.4	15.0
P/B (x)	8.6	8.2	7.3	6.6	5.9
EV/Sales (x)	2.0	1.8	1.8	1.7	1.5
EV/EBITDA (x)	25.0	15.4	13.8	12.6	11.2
EV/EBIT(x)	33.4	18.2	16.4	14.9	13.1
EV/IC (x)	12.3	29.3	29.1	27.7	34.5
FCFF yield (%)	2.3	2.9	3.6	4.6	6.6
FCFE yield (%)	2.0	2.4	3.2	4.1	5.9
Dividend yield (%)	1.1	2.0	2.6	3.4	3.7
<b>DuPont-RoE split</b>					
Net profit margin (%)	3.6	7.1	7.5	8.4	8.7
Total asset turnover (x)	2.9	3.1	3.3	3.2	3.1
Assets/Equity (x)	1.6	1.4	1.3	1.3	1.3
<b>RoE (%)</b>	<b>16.4</b>	<b>31.5</b>	<b>31.9</b>	<b>33.9</b>	<b>33.9</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	3.9	7.1	7.5	8.4	8.7
IC turnover (x)	6.1	15.8	16.3	16.6	22.5
<b>RoIC (%)</b>	<b>24.9</b>	<b>64.8</b>	<b>122.4</b>	<b>141.7</b>	<b>172.3</b>
<b>Operating metrics</b>					
Core NWC days	(3.5)	(33.6)	(29.6)	(25.6)	(25.6)
<b>Total NWC days</b>	<b>(3.5)</b>	<b>(33.6)</b>	<b>(29.6)</b>	<b>(25.6)</b>	<b>(25.6)</b>
Fixed asset turnover	3.3	3.4	3.4	3.4	3.5
Opex-to-revenue (%)	14.8	15.2	14.9	14.5	14.1

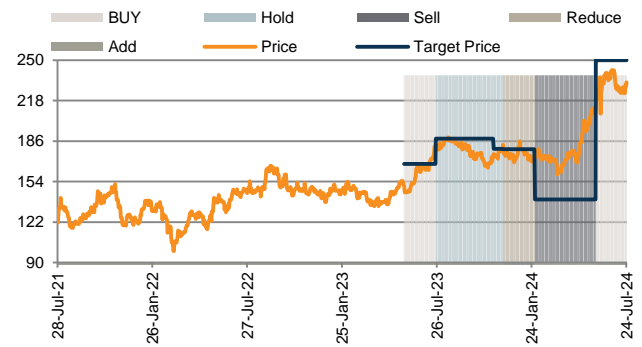
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
26-May-24	211	250	Buy	Chirag Jain
30-Jan-24	173	140	Sell	Chirag Jain
11-Jan-24	177	180	Reduce	Chirag Jain
30-Nov-23	183	180	Reduce	Chirag Jain
12-Nov-23	176	180	Hold	Chirag Jain
24-Jul-23	182	188	Hold	Chirag Jain
16-Jun-23	164	168	Buy	Chirag Jain
24-May-23	150	168	Buy	Chirag Jain

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>SELL</b>	<15% downside

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