

Ashok Leyland Ltd.

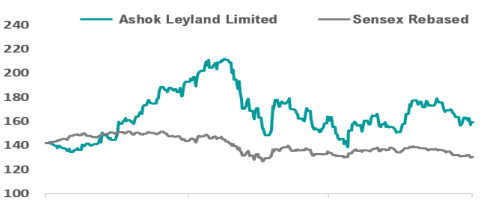
BUY

Sector: Automobiles

29th September 2026

Key Changes						Target	Rs. 179
Rating							
Earnings							
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 154
Mid Cap	AL:IN	72,529	ASHOKLEY	500477	12 Months	Return	+16%

Data as of: 29-09-2026 16:00 hrs

Company Data			
Market Cap (Rs.cr)	90,458		
52 Week High - Low (Rs.)	215-134		
Enterprise Value (Rs.cr)	83,672		
Outstanding Shares (cr)	587		
Free Float (%)	48		
Dividend Yield	2.2%		
6m average volume (cr)	2.40		
Beta	1.7		
Face value Rs.	1		
Shareholding (%)	Q3FY26	Q4FY26	Q1FY27
Promoters	51.5	51.5	51.5
FII's	24.4	24.6	20.7
MFs/Insti	13.7	13.1	15.8
Public	9.3	9.5	11.1
Others	1.1	1.4	1.0
Total	100.0	100.0	100.0
Promoters pledge	41.0	40.0	40.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-1.0%	-2.5%	12.1%
Absolute Sensex	-4.2%	0.4%	-8.1%
Relative Return*	3.2%	-2.9%	20.2%
*over or under performance to benchmark index			
			
Standalone (Rs. cr)	FY26A	FY27E	FY28E
Sales	44,007	49,573	53,494
Growth (%)	13.6	12.6	7.9
EBITDA	5,732	6,048	6,954
EBITDA Margin (%)	13.0	12.2	13.0
Adj. PAT	3,827	4,060	4,741
Growth (%)	18.6	6.1	16.8
Adj. EPS	6.5	6.9	8.1
Growth (%)	18.6	6.1	16.8
P/E	23.6	22.3	19.1
P/B	1.7	1.5	1.3
EV/EBITDA	14.9	13.8	11.8
ROE (%)	27.2	25.9	26.7
D/E	0.1	0.1	0.1
Author: Tom A Kadavil, Research Analyst			

Strong Volume Momentum, Margin Pressure Transient

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 domestic MHCV market share of ~31% for FY26.

- AL reported its highest ever Q1 revenue of Rs. 9,634cr (+10% YoY), PAT of Rs. 609cr (+3% YoY) and record Q1 CV volumes of 48,763 units.
- EBITDA was flat YoY at Rs. 970cr and margin contracted 100bps YoY to 10.1%, as material cost rose on commodity inflation, partly offset by price hikes and cost savings.
- Domestic MHCV truck volume grew 15% YoY to 22,998 units and LCV rose 21% YoY to a Q1 record of 18,874 units. Bus volumes fell as AL avoided unprofitable orders.
- Non-CV businesses stayed strong, with aftermarket revenue up 12.7%, power solutions up 51% and defence up 64% YoY. CV exports, however, fell 18% YoY to 2,461 units on war-led disruption.
- We expect revenue to grow by ~10% CAGR and earnings by ~11% CAGR over FY26-28E, factoring in GST 2.0-led replacement demand, premiumisation and margin recovery in H2FY27.

Outlook & Valuation

The CV upcycle is led by GST 2.0, which has improved the economics of replacing an ageing BS3/BS4 fleet with a new BS6 truck. Volume growth stayed strong YoY in July and August, while price hikes, cost savings and a better mix should cushion margins. Hinduja Leyland Finance's listing via merger into NDL Ventures, pending final NCLT sanction, will unlock value in AL's 61% stake and give HLF direct access to public capital. **Given the volume upcycle and a net cash balance sheet, we value AL's standalone business at 12.5x EV/EBITDA to arrive at Rs. 164 per share and Hinduja Leyland Finance separately at Rs. 15 per share, arriving at a target price of Rs. 179, and reiterate the Buy rating at CMP.**

Quarterly Financials Standalone

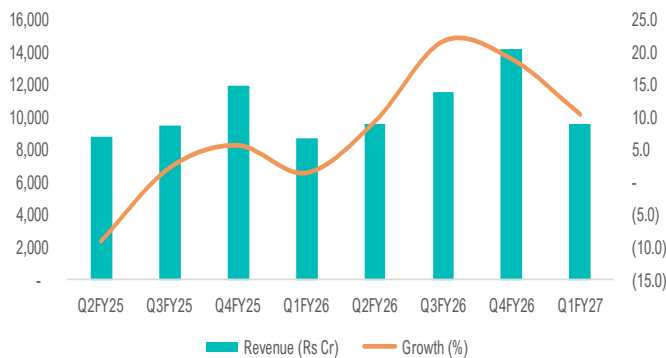
Rs.cr	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Sales	9,634	8,725	10.4	14,160	-32.0
EBITDA	970	970	0.0	2,066	-53.1
Margin (%)	10.1	11.1	-105bps	14.6	-452bps
EBIT	787	787	-0.0	1,883	-58.2
PBT	830	798	4.1	1,909	-56.5
Rep. PAT	609	594	2.6	1,405	-56.6
Adj PAT	609	594	2.6	1,405	-56.6
EPS (Rs)	1.0	1.0	2.6	2.4	-56.6



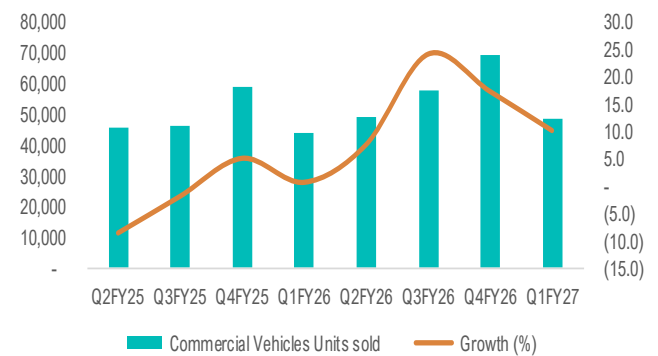
Key Highlights

- Roughly a fourth of the quarter's material needs came from cheaper opening inventory, cushioning gross margin. We expect the Q2 commodity impact to exceed Q1, with relief largely from Q4.
- Cumulative price increases this fiscal year are ~2.25% for MHCV and over 3.5% for LCV, including a July 1 hike. A further hike and discount optimization are being evaluated.
- AL launched an industry-first air suspension in multi-axle trucks, offering a 4-tonne extra payload against the usual 2-tonne. HIPPO tractors and TAURUS tippers are seeing strong traction.
- Monthly MHCV volume needed to cover fixed costs has fallen from 6,000-7,000 trucks to 1,000-1,500, on lower fixed costs and non-MHCV growth.
- In Q1FY27, Hinduja Leyland Finance AUM grew 20% YoY to Rs. 60,310cr and PAT rose 37% YoY to Rs. 123cr, with a net NPA of 2.1%.
- AL added 33 touchpoints in the quarter, taking the network to 2,137, focused on North and East. Switch Mobility's order book stands at 2,100 e-buses.
- Capex for Q1 was Rs. 153cr, focused on alternate powertrains and EVs.

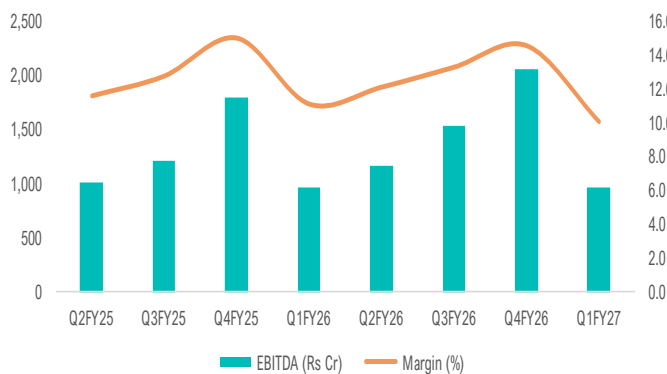
Revenue



Commercial Vehicles Units Sold



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	41,923	-	49,573	53,494	18.2	-
EBITDA	5,450	-	6,048	6,954	11.0	-
Margins (%)	13.0	-	12.2	13.0	-80bps	-
Adj. PAT	3,508	-	4,060	4,741	15.7	-
EPS	6.0	-	6.9	8.1	15.2	-



Standalone Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Revenue	38,367	38,753	44,007	49,573	53,494
% change	6%	1%	14%	13%	8%
EBITDA	4,607	4,931	5,732	6,048	6,954
% change	57%	7%	16%	6%	15%
Depreciation	718	719	715	772	799
EBIT	3,889	4,211	5,017	5,276	6,155
Interest	249	217	170	149	125
Other Income	247	250	315	367	385
PBT	3,639	3,994	4,847	5,127	6,030
% change	80%	15%	11%	14%	17%
Tax	1,174	1,045	1,248	1,434	1,674
Tax Rate (%)	31%	24%	26%	26%	26%
Reported PAT	2,618	3,303	3,566	4,060	4,741
Adj*	70	-78	261	0	0
Adj PAT	2,688	3,225	3,827	4,060	4,741
% change	104%	20%	19%	6%	17%
No. of shares (cr)	587	587	587	587	587
Adj EPS (Rs.)	4.6	5.5	6.5	6.9	8.1
% change	104%	20%	19%	6%	17%
DPS (Rs.)	1.3	3.5	3.1	3.7	4.3
CEPS (Rs.)	6	7	8	8	9

CASH FLOW

Y.E March (Rs. cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Net inc. + Depn.	4,510	5,068	5,529	6,266	7,214
Non-cash adj.	40	62	-43	209	196
Changes in W.C	-1,523	3,741	414	-1,083	272
C.F. Operation	2,503	7,819	4,792	3,958	6,008
Capital exp.	-496	-954	-1050	-1200	-1300
Change in inv.	79	69	130	60	-1,400
Other invest.CF	782	485	60	0	0
C.F – Investment	902	-4,078	-3,205	-1,179	-2,743
Issue of equity	17	17	33	0	0
Issue/repay debt	-1,105	-442	-277	-100	-100
Dividends paid	-763	-2,041	-1,835	-2,200	-2,500
Other finance.CF	-2,461	-1,491	-936	-1,489	-1,254
C.F – Finance	-1,917	-3,024	-2,217	-2,394	-2,691
Chg. in cash	1,488	718	-630	386	574
Closing cash	1,942	2,660	2,031	2,417	2,991

BALANCE SHEET

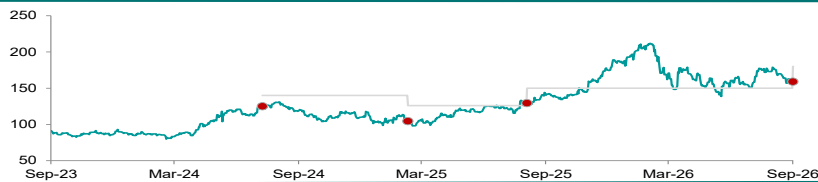
Y.E March (Rs. cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Cash	3,438	2,706	2,977	3,363	3,936
Accounts Receivable	3,570	2,887	2,950	4,889	5,276
Inventories	3,191	2,957	3,486	3,922	4,197
Other Cur. Assets	1,054	739	1,129	1,358	1,466
Investments	5,655	8,673	10,679	10,619	12,019
Gross Fixed Assets	11,168	11,781	13,039	14,039	15,139
Net Fixed Assets	4,738	4,682	5,335	5,659	6,058
CWIP	202	425	479	679	879
Intangible Assets	1,214	1,164	1,054	958	860
Def. Tax (Net)	-556	-548	-536	-596	-667
Other Assets	485	1,269	504	543	586
Total Assets	23,055	24,978	28,058	31,395	34,611
Current Liabilities	3,944	2,749	2,999	3,838	4,088
Provisions	1,375	1,534	1,986	2,173	2,345
Debt Funds	2,299	1,482	1,195	1,095	995
Other Liabilities	6,305	7,305	8,329	8,825	9,444
Equity Capital	294	294	587	587	587
Reserves & Surplus	10,432	13,142	14,156	16,016	18,257
Shareholder's Fund	8,810	11,519	13,113	14,974	17,214
Total Liabilities	23,055	24,978	28,058	31,395	34,611
BVPS (Rs.)	66	87	99	113	129

RATIOS

Y.E March	FY24A	FY25A	FY26A	FY27E	FY28E
Profitab. & Return					
EBITDA margin (%)	12.0	12.7	13.0	12.2	13.0
EBIT margin (%)	10.1	10.9	11.4	10.6	11.5
Net profit mgn.(%)	7.0	8.3	8.7	8.2	8.9
ROE (%)	28.1	26.7	27.2	25.9	26.7
ROCE (%)	11.6	13.3	14.3	13.6	14.3
W.C & Liquidity					
Receivables (days)	36.3	30.4	24.2	28.9	34.7
Inventory (days)	39.0	40.6	37.4	37.8	38.7
Payables (days)	40.6	44.2	33.4	34.9	37.8
Current ratio (x)	2.1	2.2	2.1	2.3	2.3
Quick ratio (x)	2.3	3.0	2.7	2.8	3.0
Turnover & Leverage					
Gross asset T.O (x)	4.1	4.0	4.2	4.3	4.2
Total asset T.O (x)	1.7	1.6	1.7	1.7	1.6
Int. coverage ratio (x)	15.6	19.4	29.6	35.4	49.1
Adj. debt/equity (x)	0.3	0.2	0.1	0.1	0.1
Valuation					
EV/Sales (x)	2.3	2.2	1.9	1.7	1.5
EV/EBITDA (x)	19.3	17.5	14.9	13.8	11.8
P/E (x)	33.7	28.0	23.6	22.3	19.1
P/BV (x)	2.7	2.0	1.7	1.5	1.3



Recommendation Summary (Last 3 years)



Dates	Rating	Target
02.Aug.24	Buy	140
05.Mar.25	Buy	126
28.Aug.25	Buy	150
29.Sep.26	Buy	179

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%
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