

# Ashok Leyland | BUY

## In-line quarter; RM tailwinds and favourable mix to aid margins

In 1QFY26, Ashok Leyland (AL) reported EBITDA margin of 11.1% (+50bps YoY), in-line with JMFe. The company expects mid-single-digit growth in the domestic CV industry in FY26, with LCVs marginally outpacing MHCVs, supported by higher government capex, stable freight rates, improved fleet utilisation, renewed construction/mining activity, and RBI rate cuts. A healthy defence order book and growth momentum in export markets should further aid volumes. We expect ~7% volume CAGR over FY25–27E, driven by favourable macroeconomic conditions, new product launches, and expanding touchpoints. Further, we expect margins to benefit from benign commodity costs, an increasing share of high-margin non-MHCV and export segments, and continued cost control initiatives. Therefore, we revise our EBITDA margin estimates upward by 40bps/30bps for FY26E/FY27E. Maintain BUY with a Mar'27 TP of INR 140 (20x FY27E EPS). Competitive intensity remains a key risk.

- 1QFY26 – Margin in-line with JMFe:** In 1QFY26, AL reported net sales of INR 87.2bn (+2% YoY, -27% QoQ), in-line with JMFe. Blended realisations grew by 0.7% YoY (-2% QoQ). Total volume grew 0.8% YoY (-25% QoQ). EBITDA margin stood at 11.1% (+50bps YoY; -390bps QoQ), in-line with JMFe. EBITDA stood at INR 9.7bn (+6% YoY, -46% QoQ), 2% above JMFe. PAT was at INR 5.9bn (+13% YoY; -53% QoQ), 4% above JMFe.
- Demand outlook:** Ashok Leyland (AL) highlighted that the MHCV industry volumes declined by 2% YoY in 1QFY26, due to a high base. Supported by increased government capital expenditure, stable freight rates and fleet utilisation, renewed activity in construction and mining sectors, and the RBI rate cuts, the company expects mid-single-digit growth in the MHCV industry for FY26, with strong growth anticipated in 2HFY26. AL's domestic MHCV market share stood at 31.1% (vs. 30.9% in FY25). In the LCV (0–7.5T) segment, market share improved to 12.9% (+120bps YoY). The LCV industry is also expected to post mid-single-digit growth in FY26, marginally outpacing MHCV growth. The defence order book remains healthy for FY26, ensuring steady contribution from this segment. On the exports front, volumes grew ~29% YoY in 1Q, and the company expects strong momentum to continue, with demand recovery in the SAARC and Africa regions. Overall, supported by favourable macroeconomic conditions, new product launches, and expanding touchpoints, we expect AL's volumes to deliver a CAGR of ~7% over FY25–27E.
- Profitability outlook:** During 1QFY26, EBITDA margin improved by 50bps YoY to 11.1%, driven by better realisations, a favourable product mix (aided by an increasing share of non-MHCV business), and sustained cost-control initiatives. The company successfully passed on the additional costs arising from AC norm compliance. AL also indicated that it remains insulated from tariff-related risks and expects commodity price uncertainty to settle going forward.
- Update on EV business:** Switch Mobility has an order book of over 1,500 buses and achieved PBT breakeven in 1Q, with PAT breakeven targeted in FY26. AL's e-MaaS arm, OHM, operates 800 buses with 98%+ fleet availability and aims to scale to 2,500 buses within the next twelve months.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	140
Upside/(Downside)	16.9%
Previous Price Target	132
Change	6.1%

### Key Data – AL IN

Current Market Price	INR120
Market cap (bn)	INR703.2/US\$8.0
Free Float	61%
Shares in issue (mn)	5,873.0
Diluted share (mn)	5,873.0
3-mon avg daily val (mn)	INR1,440.5/US\$16.5
52-week range	132/95
Sensex/Nifty	80,598/24,631
INR/US\$	87.6

### Price Performance

%	1M	6M	12M
Absolute	-2.8	10.3	-4.9
Relative*	-0.7	4.0	-6.6

\* To the BSE Sensex

### Financial Summary

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	383,670	387,527	421,804	461,771	497,623
Sales Growth	6.2%	1.0%	8.8%	9.5%	7.8%
EBITDA	46,066	49,306	55,080	61,650	66,613
EBITDA Margin	12.0%	12.7%	13.1%	13.4%	13.4%
Adjusted Net Profit	27,116	31,996	36,178	40,718	44,451
Diluted EPS (INR)	4.6	5.4	6.2	6.9	7.6
Diluted EPS Growth	109.3%	18.0%	13.1%	12.5%	9.2%
ROIC	82.3%	170.1%	138.7%	117.6%	138.7%
ROE	31.5%	31.5%	28.7%	27.2%	25.0%
P/E (x)	26.0	22.0	19.5	17.3	15.9
P/B (x)	8.0	6.1	5.2	4.3	3.7
EV/EBITDA (x)	15.1	14.0	12.7	11.1	10.0
Dividend Yield	1.1%	2.6%	2.1%	2.1%	2.1%

Source: Company data, JM Financial. Note: Valuations as of 13/Aug/2025

JM Financial Research is also available on:  
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

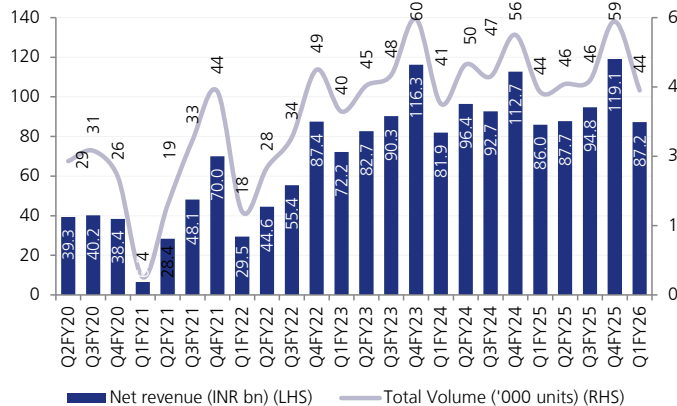
- **Other highlights:** 1) HFLF delivered strong performance with AUM for HLF/HHF at INR 504bn/143bn (+25% YoY each). The HFLF reverse merger is expected to conclude in the coming quarters. 2) AL's Andhra Pradesh plant is ramping up, targeting 200 units/month by year-end. Bus capacity expansion is underway, with the Lucknow plant slated for 3QFY26 commissioning. 3) Net cash stood at INR 8bn (vs. net debt of INR 12bn in 1QFY25), while spares revenue grew 8% YoY in 1Q.

### Exhibit 1. Standalone quarterly performance

AL (INR mn)	Q1FY26	Q1FY25	% YoY	Q4FY25	% QoQ	Q1FY26E	% A/E
MHCV (Units)	28,071	27,885	0.7	39,908	-29.7	28,071	0.0
LCV (Units)	16,167	16,008	1.0	19,268	-16.1	16,167	0.0
<b>Total Volumes (Units)</b>	<b>44,238</b>	<b>43,893</b>	<b>0.8</b>	<b>59,176</b>	<b>-25.2</b>	<b>44,238</b>	<b>0.0</b>
Average Realisation (Net, INR)	1,972,176	1,958,975	0.7	2,012,084	-2.0	1,954,037	0.9
<b>Sales</b>	<b>87,245</b>	<b>85,985</b>	<b>1.5</b>	<b>119,067</b>	<b>-26.7</b>	<b>86,443</b>	<b>0.9</b>
RM	61,628	62,046	-0.7	84,028	-26.7	62,239	-1.0
As a % of sales	70.6	72.2	-150bps	70.6	10bps	72.0	-140bps
Employee Exp	6,122	5,498	11.4	6,515	-6	5,532	10.7
As a % of sales	7.0	6.4	60bps	5.5	150bps	6.4	60bps
Other Costs	9,799	9,333	5.0	10,614	-7.7	9,163	6.9
As a % of sales	11.2	10.9	40bps	8.9	230bps	10.6	60bps
Expenditure	77,550	76,877	0.9	101,158	-23.3	76,934	0.8
<b>EBITDA</b>	<b>9,696</b>	<b>9,109</b>	<b>6.4</b>	<b>17,910</b>	<b>-45.9</b>	<b>9,509</b>	<b>2.0</b>
<b>EBITDA Margin</b>	<b>11.1</b>	<b>10.6</b>	<b>50bps</b>	<b>15.0</b>	<b>-390bps</b>	<b>11.0</b>	<b>10bps</b>
Other Income	529	224	136.5	1,059	-50.1	424	24.7
Interest	419	591	-29.1	471	-11.2	483	-13.3
Depreciation	1,828	1,727	5.8	1,789	2.2	1,860	-1.7
<b>PBT</b>	<b>7,977</b>	<b>7,015</b>	<b>13.7</b>	<b>16,709</b>	<b>-52.3</b>	<b>7,589</b>	<b>5.1</b>
Tax	2,040	1,759	16.0	4,114	-50.4	1,897	7.5
Tax rate (%)	25.6	25.1		24.6		25.0	
<b>PAT (Adjusted)</b>	<b>5,937</b>	<b>5,256</b>	<b>13.0</b>	<b>12,595</b>	<b>-52.9</b>	<b>5,692</b>	<b>4.3</b>
<b>PAT Margin (Adjusted)</b>	<b>6.8</b>	<b>6.1</b>	<b>70bps</b>	<b>10.6</b>	<b>-380bps</b>	<b>6.6</b>	<b>20bps</b>
<b>EPS (INR)</b>	<b>1.0</b>	<b>0.9</b>	<b>12.9</b>	<b>2.1</b>	<b>-52.9</b>	<b>1.0</b>	<b>4.3</b>

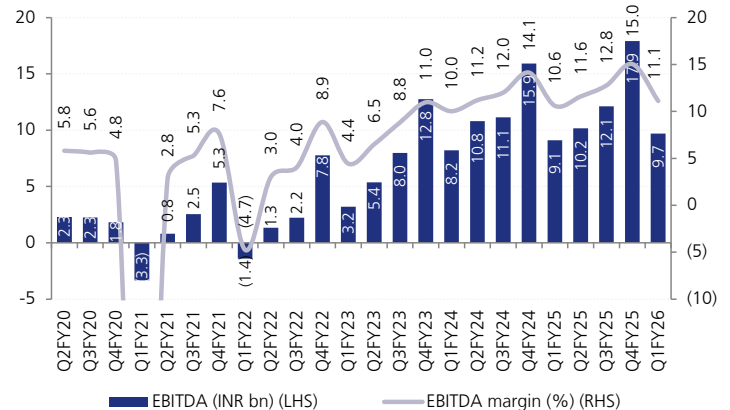
Source: Company, JM Financial

### Exhibit 2. Revenue and volume trend



Source: Company, JM Financial

### Exhibit 3. EBITDA and Margin trend



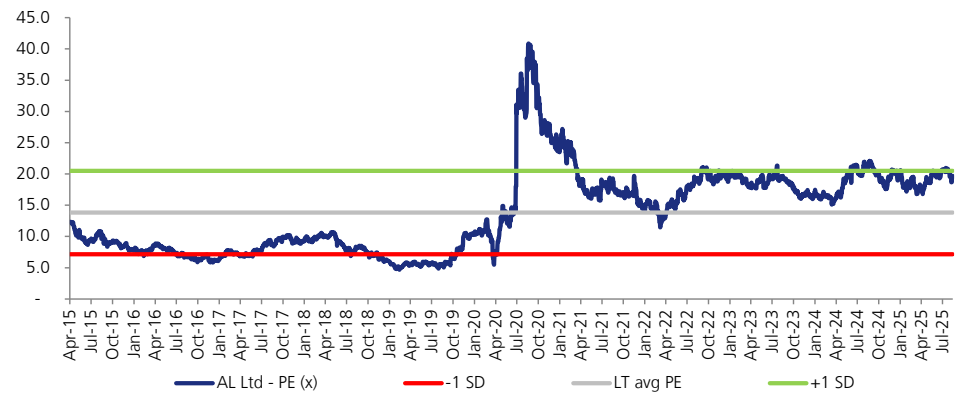
Source: Company, JM Financial; Note: 1QFY21 margin at -51%

### Exhibit 4. AL - change in assumptions (standalone)

Ashok Leyland	New assumption			Old assumption			% Change		
	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue (INR mn)	387,527	421,804	461,771	387,527	415,127	449,030	0.0%	1.6%	2.8%
EBITDA (INR mn)	49,306	55,080	61,650	49,306	52,807	58,930	0.0%	4.3%	4.6%
EBITDA margin (%)	12.7%	13.1%	13.4%	12.7%	12.7%	13.1%	0bps	40bps	30bps
PAT (INR mn)	31,996	36,178	40,718	31,996	34,485	39,053	0.0%	4.9%	4.3%
EPS (INR)	5.4	6.2	6.9	5.4	5.9	6.6	0.0%	4.9%	4.3%

Source: Company, JM Financial

Exhibit 5. 1-yr forward PE chart



Source: Company, Bloomberg, JM Financial

## Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	383,670	387,527	421,804	461,771	497,623	
Sales Growth	6.2%	1.0%	8.8%	9.5%	7.8%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>383,670</b>	<b>387,527</b>	<b>421,804</b>	<b>461,771</b>	<b>497,623</b>	
Cost of Goods Sold/Op. Exp	279,120	276,228	299,155	326,677	352,811	
Personnel Cost	22,334	24,063	26,262	28,626	30,916	
Other Expenses	36,151	37,931	41,307	44,818	47,283	
<b>EBITDA</b>	<b>46,066</b>	<b>49,306</b>	<b>55,080</b>	<b>61,650</b>	<b>66,613</b>	
EBITDA Margin	12.0%	12.7%	13.1%	13.4%	13.4%	
EBITDA Growth	57.2%	7.0%	11.7%	11.9%	8.1%	
Depn. & Amort.	7,178	7,193	7,690	8,524	8,673	
EBIT	38,888	42,112	47,390	53,125	57,940	
Other Income	2,466	2,503	2,628	2,812	3,008	
Finance Cost	2,494	2,169	1,457	1,282	1,282	
PBT before Excep. & Forex	38,859	42,446	48,561	54,655	59,666	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	38,859	42,446	48,561	54,655	59,666	
Taxes	11,743	10,450	12,383	13,937	15,215	
Extraordinary Inc./Loss(-)	-937	1,037	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	26,179	33,033	36,178	40,718	44,451	
<b>Adjusted Net Profit</b>	<b>27,116</b>	<b>31,996</b>	<b>36,178</b>	<b>40,718</b>	<b>44,451</b>	
Net Margin	7.1%	8.3%	8.6%	8.8%	8.9%	
Diluted Share Cap. (mn)	2,936.3	2,936.5	5,873.0	5,873.0	5,873.0	
<b>Diluted EPS (INR)</b>	<b>4.6</b>	<b>5.4</b>	<b>6.2</b>	<b>6.9</b>	<b>7.6</b>	
Diluted EPS Growth	109.3%	18.0%	13.1%	12.5%	9.2%	
Total Dividend + Tax	7,634	18,353	14,683	14,683	14,683	
Dividend Per Share (INR)	1.3	3.1	2.5	2.5	2.5	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	38,859	42,446	48,561	54,655	59,666	
Depn. & Amort.	7,178	7,193	7,690	8,524	8,673	
Net Interest Exp. / Inc. (-)	2,494	2,169	1,457	1,282	1,282	
Inc (-) / Dec in WCcap.	20,378	6,156	-16,903	2,778	3,561	
Others	0	0	0	0	0	
Taxes Paid	-11,743	-10,450	-12,383	-13,937	-15,215	
<b>Operating Cash Flow</b>	<b>57,166</b>	<b>47,514</b>	<b>28,421</b>	<b>53,302</b>	<b>57,967</b>	
Capex	-4,345	-8,363	-9,248	-9,248	-9,248	
Free Cash Flow	52,821	39,151	19,174	44,054	48,719	
Inc (-) / Dec in Investments	11,038	-31,132	-12,500	-12,500	-12,500	
Others	-2,494	-2,169	-1,457	-1,282	-1,282	
<b>Investing Cash Flow</b>	<b>4,199</b>	<b>-41,664</b>	<b>-23,204</b>	<b>-23,029</b>	<b>-23,029</b>	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-7,634	-18,353	-14,683	-14,683	-14,683	
Inc / Dec (-) in Loans	-9,254	-8,177	-3,500	0	0	
Others	-15,108	13,357	0	0	0	
<b>Financing Cash Flow</b>	<b>-31,996</b>	<b>-13,172</b>	<b>-18,183</b>	<b>-14,683</b>	<b>-14,683</b>	
<b>Inc / Dec (-) in Cash</b>	<b>29,369</b>	<b>-7,322</b>	<b>-12,966</b>	<b>15,590</b>	<b>20,255</b>	
Opening Cash Balance	5,013	34,382	27,060	14,094	29,684	
Closing Cash Balance	34,382	27,060	14,094	29,684	49,939	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders' Fund	88,104	115,188	136,684	162,719	192,488	
Share Capital	2,936	2,937	5,873	5,873	5,873	
Reserves & Surplus	85,167	112,251	130,811	156,846	186,615	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	22,994	14,817	11,317	11,317	11,317	
Def. Tax Liab. / Assets (-)	5,563	5,479	5,479	5,479	5,479	
<b>Total - Equity &amp; Liab.</b>	<b>116,661</b>	<b>135,484</b>	<b>153,480</b>	<b>179,515</b>	<b>209,284</b>	
Net Fixed Assets	61,533	62,703	64,260	64,984	65,558	
Gross Fixed Assets	115,307	121,437	130,685	139,932	149,180	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	55,789	62,982	70,672	79,196	87,870	
Capital WIP	2,015	4,248	4,248	4,248	4,248	
Investments	55,598	86,730	99,230	111,730	124,230	
Current Assets	118,987	105,826	110,749	134,749	162,759	
Inventories	31,907	29,573	34,669	37,954	40,901	
Sundry Debtors	35,699	28,873	40,447	44,279	47,717	
Cash & Bank Balances	34,382	27,060	14,094	29,684	49,939	
Loans & Advances	16,999	20,320	21,540	22,832	24,202	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	119,457	119,774	120,759	131,947	143,262	
Current Liabilities	63,052	73,047	69,666	76,075	82,161	
Provisions & Others	56,405	46,727	51,093	55,871	61,101	
Net Current Assets	-470	-13,948	-10,010	2,802	19,497	
<b>Total - Assets</b>	<b>116,661</b>	<b>135,484</b>	<b>153,480</b>	<b>179,515</b>	<b>209,284</b>	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Margin	7.1%	8.3%	8.6%	8.8%	8.9%	
Asset Turnover (x)	3.4	3.2	3.0	2.9	2.6	
Leverage Factor (x)	1.3	1.2	1.1	1.1	1.1	
RoE	31.5%	31.5%	28.7%	27.2%	25.0%	

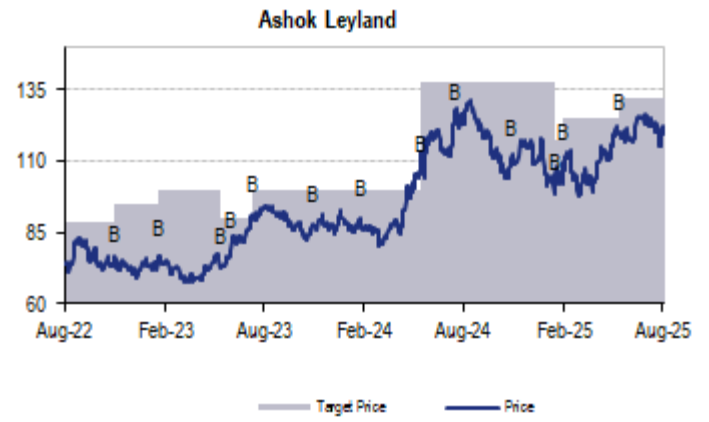
Key Ratios						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
BV/Share (INR)	15.0	19.6	23.3	27.7	32.8	
ROIC	82.3%	170.1%	138.7%	117.6%	138.7%	
ROE	31.5%	31.5%	28.7%	27.2%	25.0%	
Net Debt/Equity (x)	-0.1	-0.1	0.0	-0.1	-0.2	
P/E (x)	26.0	22.0	19.5	17.3	15.9	
P/B (x)	8.0	6.1	5.2	4.3	3.7	
EV/EBITDA (x)	15.1	14.0	12.7	11.1	10.0	
EV/Sales (x)	1.8	1.8	1.7	1.5	1.3	
Debtor days	34	27	35	35	35	
Inventory days	30	28	30	30	30	
Creditor days	68	79	69	69	70	

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
12-Feb-21	Buy	75	
25-Jun-21	Buy	75	0.0
13-Aug-21	Buy	75	0.0
15-Nov-21	Buy	80	6.7
14-Feb-22	Buy	75	-6.3
22-May-22	Buy	85	13.3
1-Aug-22	Buy	89	4.1
13-Nov-22	Buy	95	7.3
2-Feb-23	Buy	100	5.3
25-May-23	Buy	90	-10.0
15-Jun-23	Buy	90	0.0
24-Jul-23	Buy	100	11.1
12-Nov-23	Buy	100	0.0
6-Feb-24	Buy	100	0.0
26-May-24	Buy	138	37.5
28-Jul-24	Buy	138	0.0
10-Nov-24	Buy	138	0.0
27-Jan-25	Buy	118	-14.5
12-Feb-25	Buy	125	6.4
25-May-25	Buy	132	5.6

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

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Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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