



Ashok Leyland Ltd.

INSTANTING COVERAGE

ASHOK LEYLAND LTD.(ALL)

Market Cap.
Rs. 75,173 Cr.
52 Week H/L
Rs.259 / 158
CMP
Rs.256
Target Price
Rs.318

AUTO

STOCK DATA

BUY

Reuters Code	ASOK.BO
Bloomberg Code	AL IN
BSE Code	500477
NSE Symbol	ASHOKLEY
Face Value	Rs.1
Shares Outstanding	294 Cr
Avg. Daily Vol. (6m)	17,255,184

Price Performance (%)		
1M	3M	6M
3	33	45

200 Days EMA Rs.196

SHARE HOLDING (%)

Promoters	51.1
FII	21.9
FI/MF	12.8
Government	0.1
Body Corporate	0.4
Public & Others	13.8

RESEARCH ANALYST

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Focusing on developing new technologies

ALL has launched the 'AVTR' platform to drive cost efficiency in the MHCV (Medium and Heavy Commercial vehicle) segment. This will result in a lower number of parts, lower raw material inventory and more productivity, thereby increasing operating efficiency. It is actively working on developing new technologies in the areas of Safety, and Green Energy. In terms of safety, it plans to create products with Advanced Drive Assistance Systems (ADAS) in the next 2-3 years. On Green Energy, the company has launched the electric version of LCV (Light Commercial Vehicle) i.e Dost and Bada Dost, as it is witnessing increased requirements from many courier and logistic companies. This should result in increase in realization per vehicle and margins for the company in the future.

Growth to pick up pace

The company plans to grow by focusing on 2 things:

- 1) Get deeper penetration in India. The company didn't have a strong presence in the North and East regions (market share of ~25% in FY23). As a result, ALL has tied with the TVS group for a presence in the National Capital Region to have a strong foothold and increase in the market share. The company aspires to reach an overall market share of ~35%, with the expansion in North and East region as compared to ~31% in FY24.
- 2) Ensure that LCV, International and Defense (Growth business) grow at a faster pace than the overall growth of the company. The growth business has slightly better margins than the MHCV. Currently, ALL addresses ~50% of the LCV market, while it targets to cover 70-80% of the market in the next few years

The growth in MHCV trucks and LCV trucks will be backed by macroeconomic environment recovery, replacement demand and pickup in infrastructure activities. Healthy growth in the end-user industries like cement, steel and mining as well as an increase in general manufacturing activity and consumption trends continue to support demand from fleet operators for tippers and mutli-axle vehicles. Apart from the core sectors like real estate, steel, cement etc, e-commerce has gained much importance, especially after the Covid period. Higher allocations in the recent budget for the core sectors will help drive the momentum in economic activity, thus helping CV industry growth.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (%)	APAT (Rs. Cr)	NPM (%)	AEPS (Rs.)	P/E (x)	P/Bv (x)	ROE (%)
FY24	38,367.0	12.0	2,711.6	7.1%	9.2	27.7	8.5	31.5%
FY25E	40,635.7	12.4	2,951.2	7.3%	10.1	25.5	7.4	31.2%
FY26E	43,559.1	12.6	3,289.9	7.6%	11.2	22.8	6.5	30.3%
FY27E	46,021.9	12.8	3,525.0	7.7%	12.0	21.3	5.7	28.5%

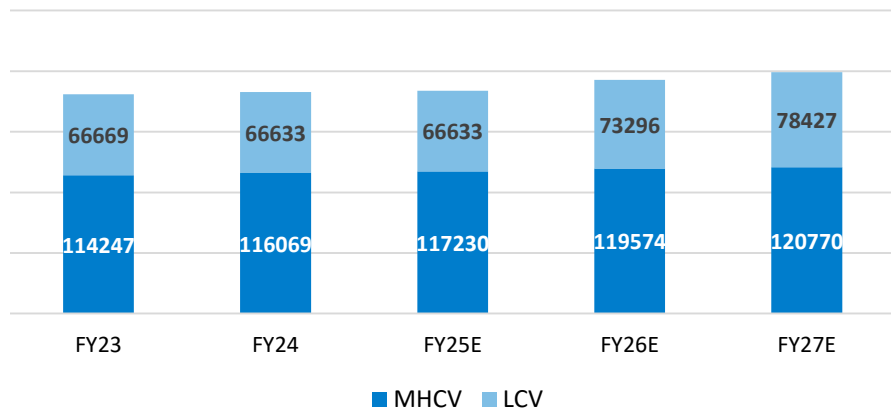
Margins to witness uptick

In FY24, the company embarked on cost reduction initiatives viz, material cost reduction program, which focuses on bulk buying, consolidating vendors, and alternative design, which would enhance the performance and reduce cost. The company saved Rs.600-675cr in FY24. This benefit is likely to continue in FY25 as well, according to the company’s management. We expect the EBITDA margins for the company to improve by 80 bps from FY24-27 to 12.8%, on account of the favourable product mix and development of new technologies.

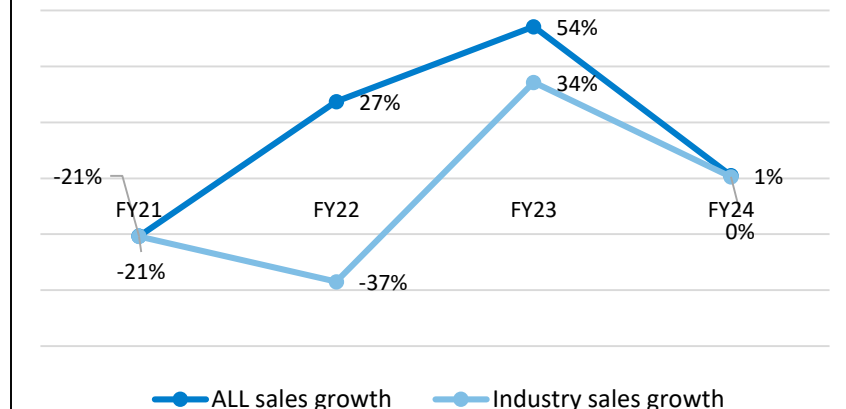
OUTLOOK & VALUATION

There has been a strong demand for high tonnage vehicle in the few years and this will benefit ALL due to its focus in heavy tonnage segment. The company is likely to witness good uptick in sales in FY26 and FY27 on account of strong economic activity in the country. ALL will likely see margins expand on the back of improvement in the product mix and operating leverage. We forecast ALL’s revenue/PAT to grow at 6%/9% CAGR over FY24-27E. Going forward, we expect the company to deliver an EPS of Rs.12 in FY27; assigning a target multiple of 26.5x, we arrive at a target price of Rs.318 showcasing an upside potential of 24% from current levels with an investment horizon of 18-24 months.

ALL volumes to gain traction



ALL sales growth vs Industry sales growth



KEY RISKS

- ❖ The CV sector is highly cyclical in nature. A down cycle in the same may lead to a prolonged period of degrowth.
- ❖ If the general economic slowdown extends further, it may impact the economy which may have negative implications for the company.
- ❖ A steep rise in raw material prices such as steel will lead to higher costs for the company thus affecting its profitability.

COMPANY OVERVIEW



Ashok Leyland, flagship of the Hinduja group, is India's 2nd largest manufacturer of commercial vehicles, the 4th largest manufacturer of buses in the world, and the 19th largest manufacturer of trucks. Headquartered in Chennai, 9 manufacturing plants give an international footprint – 7 in India, a bus manufacturing facility in Ras Al Khaimah (UAE), one at Leeds, United Kingdom and a joint venture with the Alteams Group for the manufacture of high-pressure die-casting extruded aluminium components for the automotive and telecommunications sectors, Ashok Leyland has a well-diversified portfolio across the automobile industry. With the largest fleet of logistics vehicles deployed in the Indian Army and significant partnerships with armed forces across the globe, Ashok Leyland vehicles for Defence and Special applications help keep borders secure.

In the commercial vehicle industry, Ashok Leyland has one of the largest and fastest-growing networks with 52,863 touch points, including 1,748 exclusive touch points and 11,207 outlets for Leyparts. The company now has a service centre every 75 kilometres on all major highways, allowing it to keep its “Ashok Leyland Quick Response” promise of reaching customers within 4 hours and getting them back on the road in 48 hours.

HISTORY OF INDUSTRY FIRSTS



1948



1967 Double Decker Bus



1976 Front Door Front Engine Bus



1978 Rear Engine Bus



1980 13 Tonne Truck



1982 Vestibule Bus



1997 CNG Bus



2004 Step-less Entry with Fully Flat Floor



2015 Zero Emission Electric Bus



2014 Rollover compliant school bus



2014 First International cab design



2012 37 Tonne Haulage Truck



2012 Single Step Bus



2011 First SCV with Factory Fitted AC



2008 Low Floor Bus



2016 Euro 6 Compliant Truck



2016 Electric Bus



2016 Safest school bus



2017 i-EGR launch



2018 Battery swap technology in the EV segment



2019 i-Gen6 technology launch



2020 India's first modular platform launch



2023 Alternative Fuel Vehicles



2022 2620 6x2 LA 8 tyre truck



2022 2825 tipper with AMT



2022 Ecomet Star 1415 7 CuM Tipper



2021 4120 8x2 DTLA

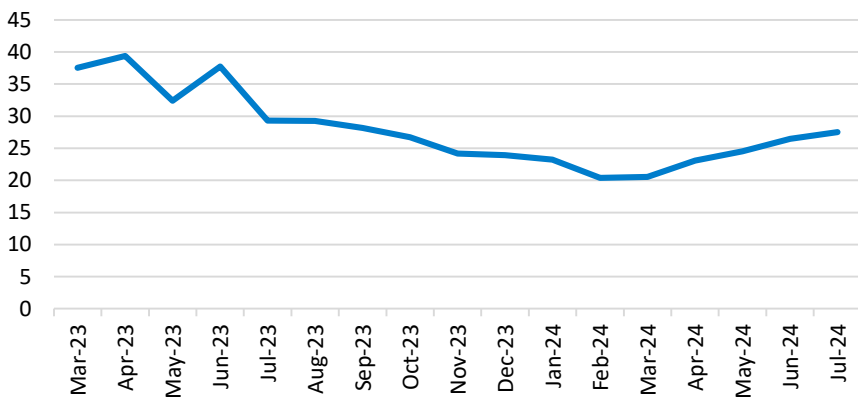


2020 First SCV with ARAI Certified 3 Seater

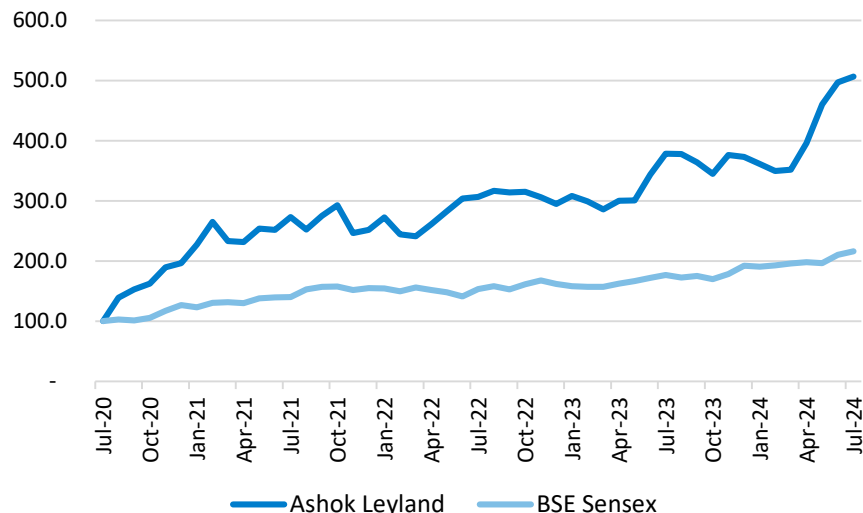
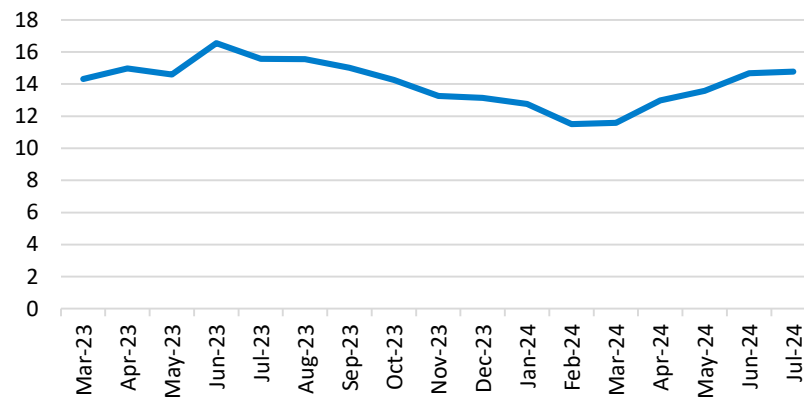
CONTD.

MARKET INFORMATION

Price to Earning



EV to PBIDT



Source: Company, Sushil Finance Research Estimates

PROFIT & LOSS STATEMENT

(Rs.cr)

Y/E Mar.	FY24	FY25E	FY26E	FY27E
Net Sales	38,367.0	40,635.7	43,559.1	46,021.9
Raw Materials	27,912.0	29,439.2	31,479.5	33,200.1
Employee Cost	2,233.4	2,316.2	2,482.9	2,623.2
Other Expenses	3,615.1	3,860.4	4,094.6	4,326.1
EBITDA	4,606.6	5,019.9	5,502.2	5,872.5
Depreciation	717.8	772.1	784.1	828.4
Interest Cost	249.4	255.0	252.0	252.0
Other Income	246.6	243.8	261.4	276.1
PBT	3,792.2	4,146.7	4,637.5	4,978.3
Tax	1,174.3	1,285.5	1,437.6	1,543.3
RPAT	2,711.6	2,951.2	3,289.9	3,525.0

Source: Company, Sushil Finance Research Estimates

BALANCE SHEET STATEMENT

(Rs.cr)

Particulars	FY24	FY25E	FY26E	FY27E
Equity Share Capital	293.6	293.6	293.6	293.6
Reserves	8,516.7	9,829.8	11,293.6	12,862.0
Net worth	8,810.4	10,123.5	11,587.2	13,155.6
Total loans	1,131.6	1,270.3	1,454.0	1,518.8
Other Current Liabilities	13,669.7	13,874.7	14,057.2	14,373.0
Total Liabilities	23,611.8	25,268.5	27,098.4	29,047.4
Net block	4,502.2	4,217.8	3,956.4	3,680.3
Capital WIP	95.5	487.6	522.7	552.3
Right of use of asset	1,555.6	1,499.3	1,635.7	1,829.7
Investments	5,310.7	6,201.0	6,789.0	7,121.0
Sundry debtors	3,569.7	3,694.2	3,959.9	4,261.3
Inventories	3,190.7	3,271.0	3,497.7	3,688.9
Cash and bank	3,438.2	3,614.7	4,132.0	4,821.0
Loans and advances	95.0	110.0	130.0	156.0
Others	1,488.5	1,671.0	1,796.0	2,127.0
Total Assets	23,611.8	25,268.5	27,098.4	29,047.4

Source: Company, Sushil Finance Research Estimates

CASH FLOW STATEMENT

(Rs.cr)

Particulars	FY24	FY25E	FY26E	FY27E
PAT	2711.6	2951.2	3289.9	3525.0
Depreciation & Amortization	717.8	772.1	784.1	828.4
Taxes	1174.3	1285.5	1437.6	1543.3
Finance Cost	249.4	255.0	252.0	252.0
(Incr)/Decr in Working Capital	1692.5	-337.7	-588.1	-480.1
Cash Flow from Operating Activities	6545.6	4926.1	5175.4	5668.5
(Incr)/ Decr in Gross PP&E	(472.2)	(487.6)	(522.7)	(552.3)
(Incr)/Decr In Investments and Intangibles	1215.7	(1376.6)	(909.5)	(691.5)
Cash Flow from Investing	743.5	(1864.3)	(1432.2)	(1243.8)
(Decr)/Incr in Debt	(634.6)	138.7	183.7	64.7
Others	(3717.6)	(3024.0)	(3409.5)	(3800.4)
Cash Flow from Financing	(4352.2)	(2885.3)	(3225.9)	(3735.7)
Opening Cash	501.3	3438.2	3614.7	4132.0
Total cash flow	2936.9	176.5	517.3	689.0
Cash at the End of the Year	3438.2	3614.7	4132.0	4821.0

Source: Company, Sushil Finance Research Estimates

FINANCIAL RATIO STATEMENT

Particulars	FY24	FY25E	FY26E	FY27E
Growth (%)				
Revenue	6.2%	5.9%	7.2%	5.7%
Profitability (%)				
EBITDA Margin	12.0%	12.4%	12.6%	12.8%
PAT Margin	7.1%	7.3%	7.6%	7.7%
Per Share Data				
EPS	9.2	10.1	11.2	12.0
Reported CEPS	11.7	12.7	13.9	14.8
BVPS	30.0	34.5	39.5	44.8
Valuations (x)				
P/E	27.7	25.5	22.8	21.3
P/BV	8.5	7.4	6.5	5.7
EV / EBITDA	16.3	15.0	13.7	12.8
Turnover Days				
Debtors Days	34	33	33	34
Inventory Days	42	41	41	41
Creditors Days	82	91	87	87
Gearing Ratio				
D/E (x)	0.3	0.3	0.3	0.2

Source: Company, Sushil Finance Research Estimates

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

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Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No