

Ashok Leyland Limited

Nifty: 24,225 CMP: Rs. 223 Target Price: Rs. 264 Rating: Buy

Automobile

In Q2 FY25, Ashok Leyland reported revenues of INR 8,769 crores, marking a 9% YoY decline primarily due to unfavourable weather impacts and sluggish government capital expenditure, which resulted in a 12% reduction in MHCV industry volumes. Nevertheless, the company registered a notable 37% rise in PAT to INR 770 crores, attributable to enhanced operational efficiencies and a strategic pivot towards high-margin non-CV segments. The EBITDA margin also improved to 12.9%, bolstered by cost-saving measures and favourable raw material prices. Ashok Leyland's commitment to product innovation and geographic expansion highlights its adaptability. Going forward, the company expresses confidence for H2 FY25, expecting a rebound in demand as macroeconomic conditions normalize and government investment increases, thus setting the stage for sustained medium-term growth.

Industry Performance

The company reported a 12% drop in industry volume due to seasonal factors such as extreme weather and slow government capital expenditure. Despite these challenges, the company remains optimistic about recovery in H2 FY25, anticipating a rebound driven by improved fleet utilization and positive macroeconomic indicators. The management expects industry growth to stabilize, projecting a potential increase of 6-10% in H2, supported by rising private capital expenditure and government spending.

Market Share Gains and Strategic Initiatives

The company reported an increase in its domestic MHCV market share to 31.2%, driven by robust sales strategies and product launches, including the new Barabos I-five LCV and Oysters ZIAC bus. In the LCV segment, it achieved a market share of 19.8%. The management highlighted ongoing investments in product innovation and significant orders for electric trucks, reinforcing competitiveness and aligning with growing demand for sustainable transport solutions. Notably, Switch is actively fulfilling a substantial order for 1,200 e-buses from DTC, with deliveries expected to commence later this year. This focus on expanding product offerings, including electric vehicles, is expected to enhance competitive positioning and capture additional market share in both domestic and international markets.

Updates on Other Businesses

The company reported healthy growth in its non-CV segments, with spare parts revenue increasing by 13% YoY and significant contributions from power solutions. The company continues to enhance its aftermarket services, maintaining a dealership position with a market share of nearly 35% in the parts segment. Additionally, the development of alternate fuel vehicles is progressing well, with a large order of 180 electric trucks received. The company is also focused on expanding its service capabilities through initiatives like the Uptime Solution Center, which provides 24/7 support and diagnostic services to fleet operators.

Outlook and Valuation

The outlook for Ashok Leyland remains robust, with expectations of a recovery in CV demand in H2 FY25, propelled by increased government spending and improved fleet utilization projected to reach 95%. The company targets mid-teen EBITDA margins while aiming to maintain a 35% market share in the MHCV segment. With a strong cash flow and reduced net debt, Ashok Leyland is well-positioned for sustainable growth. Given the positive sentiment in the MHCV sector, we reiterate our BUY rating with a target price of Rs. 264, based on a multiple of 12.2x FY25E EPS and 21x FY25E PE.

Shareholding (%)	Sep-24
Promoters	51.52
FIIIs	24.39
DIIs	12.34
Others	11.75

Relative Price Performance



Key Data	
BSE Code	500477
NSE Symbol	ASHOKLEY
Bloomberg Code	AL IN
Reuters Code	ASOK.BO
Shares Outstanding (mn)	2940
Face Value	Rs. 1
Mcap (INR bn)	Rs. 658
52 Week H/L	265/158
2W Avg. Qty.BSE (in .lakh)	9.29
CMP	Rs. 223
Beta	1.44

(RS. mn)	FY23	FY24	FY25E	FY26E
Net Sales	3,61,441	3,83,670	4,46,213	5,25,008
Growth (%)	67%	6%	16%	18%
EBIDTAM(%)	8.1%	12.0%	11.1%	11.5%
Reported PAT	13,801	26,179	30,674	38,317
PAT Growth(%)	155%	90%	17%	25%
EPS	4.7	8.9	12.2	14.6
Return on assets	6.4	11.3	14.2	14.8
Return on equity	17.5	30.4	35.6	32.9
Total debt/Equity	38.3	26.1	20.2	15.7
EV/EBITDA (x)	25.6	15.5	11.8	9.5

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Quarterly Standalone

INR Mn	2Q FY25	2Q FY24	1Q FY25	% Chg (YoY)	% Chg (QoQ)	1H FY25	1H FY24	% Chg
Net Sales	87,688	96,380	85,985	-9%	2%	1,73,674	1,78,273	-3%
RM Cost	62,410	70,866	62,046	-12%	1%	1,24,457	1,31,237	-5%
Employee Cost	5,987	5,728	5,498	5%	9%	11,484	11,104	3%
Other Expenses	7,945	8,989	9,333	-12%	-15%	17,277	17,162	1%
Total Expenditure	76,342	85,583	76,877	-11%	-1%	1,53,218	1,59,503	-4%
EBITDA	11,346	10,797	9,109	5%	25%	20,456	18,771	9%
Depreciation	1,754	1,803	1,727	-3%	2%	3,482	3,597	-3%
Other Income	973	475	223	105%	336%	1,196	986	21%
EBIT	10,565	9,469	7,605	12%	39%	18,170	16,161	12%
Interest	607	587	591	3%	3%	1,197	1,286	-7%
PBT	9,958	8,882	7,014	12%	42%	16,973	14,875	14%
Tax	2,257	3,273	1759	-31%	28%	4,016	3,501	15%
PAT	7,701	5,609	5,256	37%	47%	12,957	11,374	14%
Equity	2936	2936	2936	0%	0%			
Face Value	1.0	1.0	1.0	0%	0%			
EPS	2.6	1.8	1.7	46%	51%	4.4	3.9	14%
% of Sales				bps	bps			bps
RM Cost	71	74	72	-235	-99	72	74	-195
Employee Expenses	7	6	6	88	43	7	6	38
Other Expenses	9	9	11	-27	-179	10	10	32
EBITDAM (%)	13	11	11	174	235	12	11	125
PATM (%)	9	6	6	296	267	7	6	108

Automobile

Financials

Income Statement

Y/E Mar (RS. mn)	FY23	FY24	FY25E	FY26E
Sales Turnover	3,61,441	3,83,670	4,46,213	5,25,008
Growth	67%	6%	16%	18%
Net Sales	3,61,441	3,83,670	4,46,213	5,25,008
Total Operating Expenditure	3,32,134	3,37,605	3,96,530	4,64,734
EBITDA	29,307	46,066	49,683	60,274
EBITDA Margin	8.1%	12.0%	11.1%	11.5%
Depreciation	7,320	7,178	7,958	8,132
Other Income	1,161	2,466	2,589	2,718
EBIT	23,149	41,353	44,314	54,860
EBIT Margin	6.40%	10.78%	9.93%	10.45%
Interest Expenses	2,891	2,494	2,431	2,737
Exceptional Income/ Expenses	846	(937)	(984)	(1,033)
PBT	21,104	37,922	40,899	51,089
EBT Margin	6%	10%	9%	10%
Provision For Tax	7,303	11,743	10,225	12,772
PAT	13,801	26,179	30,674	38,317
PAT Margin	3.8%	6.8%	6.9%	7.3%
Growth in PAT	155%	90%	17%	25%

Key Ratios

Y/E	FY23	FY24	FY25E	FY26E
Per Share Data (RS.)				
EPS	4.7	8.9	12.2	14.6
Book NAV/share	28.7	30	38.7	49.8
FDEPS	4.7	8.9	12.2	14.6
DPS	2.6	2.8	3.0	3.0
Return ratios (%)				
Return on assets	6.4	11.3	14.2	14.8
Return on equity	17.5	30.4	35.6	32.9
Return on capital employed	11.4	22.7	24.5	23.8
ROIC	11.3	29.3	37.3	50.0
Turnover ratios				
Asset turnover (x)	6.0	6.7	8.0	10.2
Sales/Net FA (x)	5.6	6.2	7.4	9.4
Working capital/Sales (x)	-45.8	88.6	12.0	6.4
Receivable days	36	36	37	40
Inventory days	32	39	38	33
Payable days	92	88	79	77
Working capital days	-8	4	30	57
Liquidity ratios (x)				
Current ratio	0.9	1.0	1.3	1.6
Quick ratio	0.5	0.6	0.8	0.9
Interest cover	7.6	15.6	22.7	32.3
Total debt/Equity	38.3	26.1	20.2	15.7
Valuation				
PER (x)	52.4	27.6	20.2	16.9
PEG (x) yoy growth	0.3	0.3	0.5	0.9
Price/Book (x)	8.6	8.2	6.4	4.9
EV/Net sales (x)	2.1	1.9	1.6	1.3
EV/EBITDA (x)	25.6	15.5	11.8	9.5
EV/EBIT (x)	34.1	18.3	13.5	10.7

Balance Sheet

Y/E Mar (RS. mn)	FY23	FY24	FY25E	FY26E
SOURCES OF FUNDS:				
Shareholder's Funds	84,258	88,104	1,01,747	1,18,790
Total Debt	31,801	22,545	26,068	28,673
LT Debt	17,662	11,316	11,316	11,316
Deferred Tax Liabilities (Net)	5,035	5,563	5,702	5,845
Other Long Term Liabilities	3,041	3,342	3,711	4,367
Long Term Provisions	5,192	7,241	7,386	7,533
Total Non-current Liabilities	1,15,188	1,15,566	1,29,863	1,47,851
Trade Payables	71,751	63,052	78,389	92,231
Other Current Liabilities	19,536	39,596	34,386	40,458
ST Borrowings	14,139	11,229	14,751	17,356
ST Provisions	5,193	6,507	6,804	8,005
Total Current Liabilities	1,10,619	1,20,384	1,34,329	1,58,050
Liabilities as Held for Sale and Discontinued Operations	109	168	169	169
Total Liabilities	2,25,916	2,36,118	2,64,361	3,06,070
APPLICATION OF FUNDS :				
Net Block	63,042	58,055	55,097	51,965
Capital Work in Progress	490	955	2,978	3,989
Intangible assets	836	1,060	1,081	1,103
NC Investments	38,922	53,107	53,107	53,107
Long Term Loans & Advances	5,131	6,196	6,587	7,750
Other Non Current Assets	461	113	115	118
Total Non-Current Assets	1,08,881	1,19,486.75	1,18,965	1,18,031
Currents Investments	27,714	2,491	2,540	2,591
Inventories	27,745	31,907	34,688	40,813
Sundry Debtors	40,621	35,697	44,379	52,216
Cash and Bank	5,013	34,382	47,591	73,478
Other Current Assets	4,540	6,958	6,686	7,867
ST Loans and Advances	10,684	4,537	8,851	10,414
Total Current Assets	1,16,316	1,15,971	1,44,735	1,87,379
Assets as Held for Sale and Discontinued Operations	719	660	660	660
Total Assets	2,25,916	2,36,118	2,64,361	3,06,070

Cash Flow

Y/E Mar (RS. mn)	FY23	FY24	FY25E	FY26E
PBT	21,104	37,922	40,899	51,089
Add: Depreciation	7,320	7,178	7,958	8,132
Add: Changes in Working Capital	11,927	(39,479)	1,610	(6,964)
Add: Interest Paid	2,891	2,494	2,431	2,737
Add: Taxes	7,303	11,743	10,225	12,772
Net Operating Cash Flow (a)	12,084	75,330	39,454	56,151
Capex	(4,352)	(2,192)	(5,000)	(5,000)
CWIP	622	(466)	(2,022)	(1,011)
Intangible Assets	(4)	(224)	(21)	(22)
Investments	(3,706)	(14,185)	0	0
Long Term Loans & Advances	(587)	(1,065)	(391)	(1,163)
Other Non Current Assets	(52)	348	(2)	(2)
Net cash from investments (b)	(8,080)	(17,784)	(7,436)	(7,198)
Loans Availed/Repaid	(10,844)	(6,346)	0	0
Equity Raised	0	19	0	0
Dividend Paid	(7,634)	(14,535)	(17,031)	(21,274)
Deferred Taxes	3,592	528	139	143
Other LT Liabilities	497	301	370	655
LT Provisions	3,190	2,049	145	148
Interest Paid	(2,891)	(2,494)	(2,431)	(2,737)
Net Cash from Financing Activities (c)	(14,090)	(20,479)	(18,808)	(23,065)
Net Change in Cash and Cash equivalents (a)+(b)+(c)	(10,086)	37,067	13,209	25,887
Opening cash and cash equivalent	10,470	5,013	34,382	47,591
Closing cash and cash equivalent	5,013	34,382	47,591	73,478

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