

Margin expansion to mid-teens on track

Auto & Auto Ancillaries ▶ Visit Note ▶ September 5, 2024

TARGET PRICE (Rs) : 300

We met K M Balaji, CFO. KTAs: 1) Truck volumes, while weak, could potentially improve from H2, aided by a more benign base; mid-to-long term outlook would be driven by sustained economic growth and triggering of replacement-led demand, as fleet-age remains at record levels; DFC not yet seen as a meaningful threat. 2) AL is gaining share in buses/LCVs, with the non-vehicle (spares, defense, and power solutions) business also faring quite well. 3) Sustained pricing discipline (even in the current weak demand scenario), with improving mix/cost controls, gives confidence on mid-teen margin guidance (vs 12% in FY24). Our estimates are unchanged, as also our TP of Rs300/sh; we assign 14x EV/EBITDA + 2x P/B for HLFL, implying 24x Sep-26E PER. AL is one of the least expensive OEMs, with 13% EPS CAGR, net-cash b/s, >25% RoCE.

Ashok Leyland: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	361,441	383,670	397,223	420,849	450,491
EBITDA	29,307	46,066	51,221	55,997	61,631
Adj. PAT	12,955	27,116	29,863	35,361	39,228
Adj. EPS (Rs)	4.4	9.2	10.2	12.0	13.4
EBITDA margin (%)	8.1	12.0	12.9	13.3	13.7
EBITDA growth (%)	194.7	57.2	11.2	9.3	10.1
Adj. EPS growth (%)	154.7	89.7	14.1	18.4	10.9
RoE (%)	16.4	31.5	31.9	34.0	33.9
RoIC (%)	24.9	64.8	122.6	142.1	172.9
P/E (x)	56.9	27.2	24.7	20.9	18.8
EV/EBITDA (x)	25.5	15.7	14.1	12.8	11.4
P/B (x)	8.8	8.4	7.5	6.7	6.0
FCFF yield (%)	2.3	2.8	3.6	4.5	6.4

Source: Company, Emkay Research

Truck demand to potentially improve from H2; mid-long term outlook intact

Recent demand trends have been soft, partly due to seasonal factors and adverse base; management expects H2 to be better, aided by a more benign base. Mid-to-long term truck segment outlook would be supported by healthy underlying economic growth, along with industry-specific factors like record-high fleet age. With the bulk of regulatory interventions now behind, the impact of associated costs on prospective demand would also be limited (cost increase for BS-7 trucks to be lesser than that under the BS-4 to BS-6 transition); further, AL does not foresee a meaningful competitive threat from dedicated freight corridors (DFCs) of Indian Railways, as last-mile connectivity here is still missing (in fact seen aiding the ICV segment; latest timeline for completion of the western corridor by Mar-25 seen as highly optimistic by Container Corp).

AL seeing healthy performance in non-trucks and non-vehicle businesses

AL has been performing strongly in buses and emerged as the leader; with a steady-state ICE order book of 2-2.5K units; it is also gaining market share in an overall subdued LCV industry despite addressing only 50% of the market. On the non-vehicle front, spare parts CAGR over the last 2 years is 25%, and is seen further growing 10-15% this year (aided by a high fleet-age); company also expects to clock healthy double-digit growth in Defence this year, with the power solutions business also seen doing well. In EVs, Switch has 1.5K pending orders and has reached breakeven; AL believes any encouragement to EVs under FAME-III would trigger further adoption.

Multiple triggers to potentially accelerate mid-teen margin delivery

Outlook on profitability remains strong, aided by a) price competition remaining under check (discounts declined by Rs20K/unit in Q1 which has sustained in Q2), b) improving mix amid rising share of the margin-accretive non-truck businesses, c) material cost savings initiatives (cumulatively saved Rs20bn over the past 3 years; targets another Rs6.5bn savings this year), d) benign commodity prices; e) operating leverage benefits – may potentially lead to earlier-than-expected delivery on mid-teen margin aspiration.

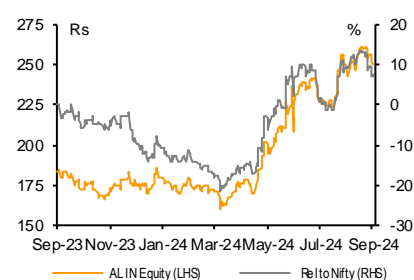
Target Price – 12M	Sep-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	19.5
CMP (05-Sep-24) (Rs)	251.2

Stock Data	Ticker
52-week High (Rs)	265
52-week Low (Rs)	158
Shares outstanding (mn)	2,936.4
Market-cap (Rs bn)	737
Market-cap (USD mn)	8,781
Net-debt, FY25E (Rs mn)	-15,589
ADTV-3M (mn shares)	13
ADTV-3M (Rs mn)	3,168.0
ADTV-3M (USD mn)	37.7
Free float (%)	48.5
Nifty-50	25,145
INR/USD	84.0
Shareholding, Jun-24	
Promoters (%)	51.1
FPIs/MFs (%)	21.9/14.0

Price Performance

(%)	1M	3M	12M
Absolute	2.9	12.0	36.9
Rel. to Nifty	(1.5)	0.8	6.6

1-Year share price trend (Rs)



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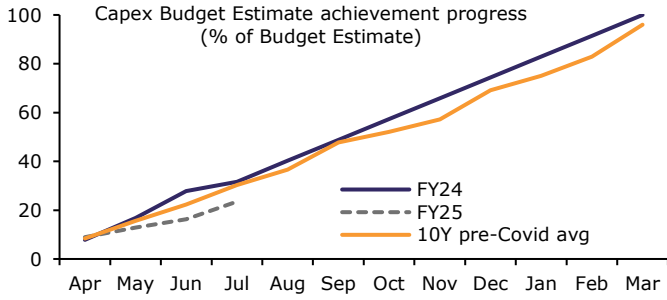
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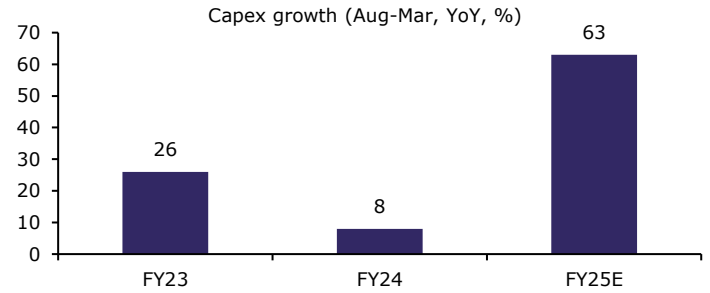
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Exhibit 1: Centre's capex declined 18% YoY till Jul-24 vs budgeted growth of 17%, amid factors like elections...



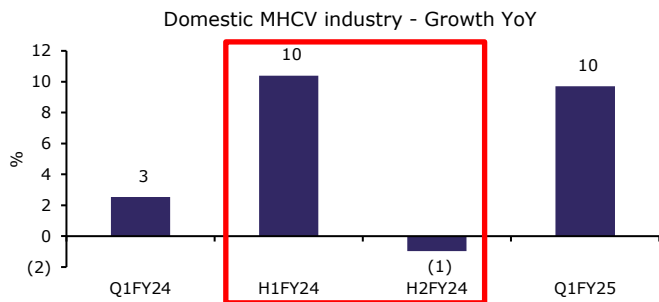
Source: CGA, Union Budget documents, Emkay Research

Exhibit 2: ...this should lead to strong ramp up in coming months; 63% YoY growth needed over Aug-Mar to meet Budget goals



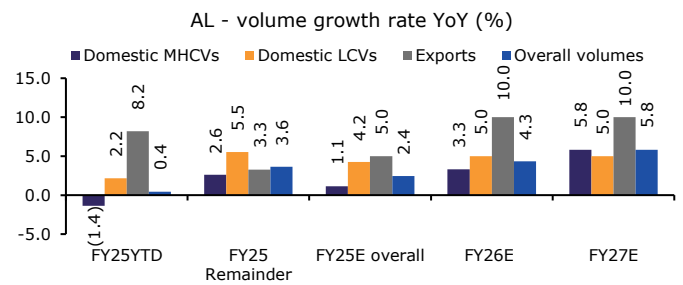
Source: CGA, Union Budget documents, Emkay Research

Exhibit 3: MHCV industry grew 10% in H1FY24 vs 1% decline in H2FY24, thus presenting a benign base for H2FY25



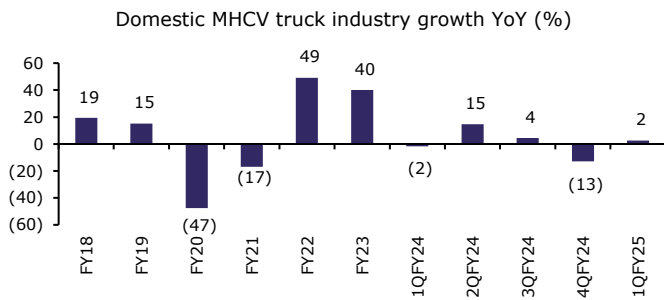
Source: SIAM, Emkay Research

Exhibit 4: We build in a modest ~3.5% overall volume growth for remaining FY25E at AL



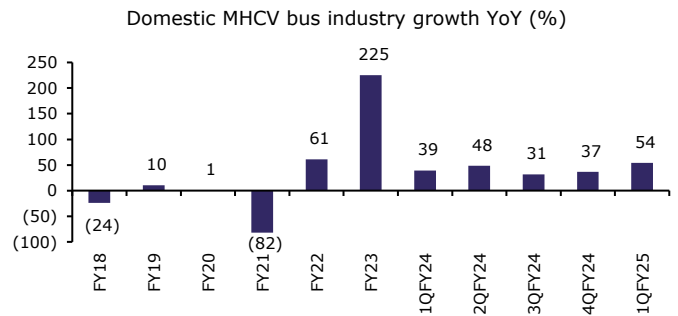
Source: Company, Emkay Research

Exhibit 5: While the truck segment has been muted following 2 strong years (FY22 and FY23)...

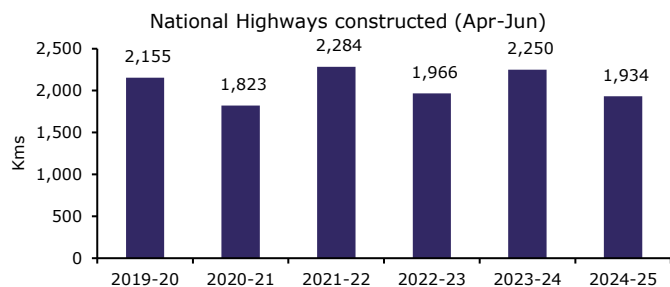


Source: SIAM, Emkay Research

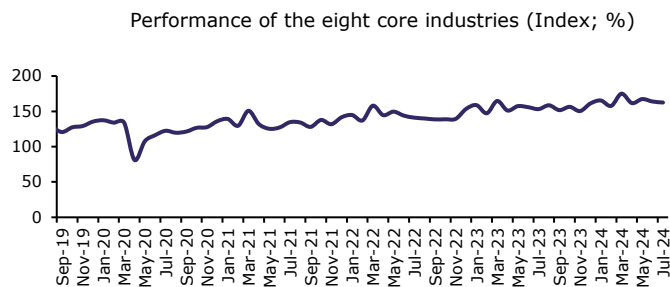
Exhibit 6: ...the Bus industry continues to post robust growth



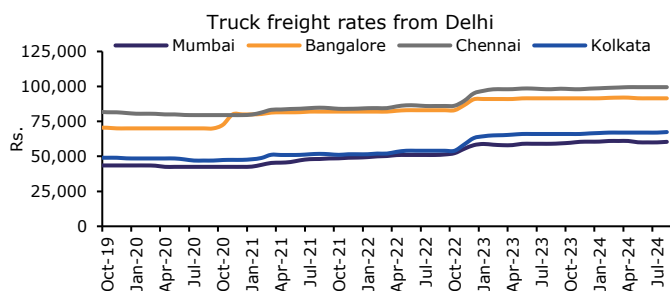
Source: SIAM, Emkay Research

Exhibit 7: Pace of national highway construction this year has been the slowest since FY21, hampered by the elections

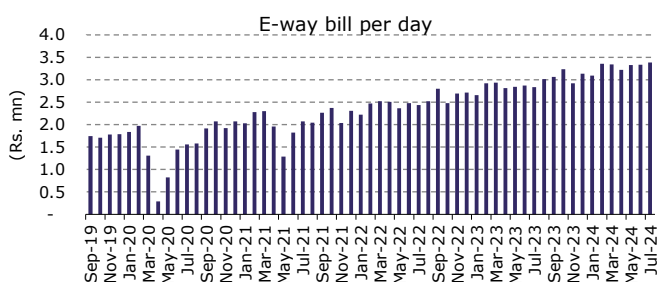
Source: CMIE, Emkay Research

Exhibit 8: Performance of the eight core industries, while below the recent peak, remains reasonably healthy

Source: CMIE, Emkay Research

Exhibit 9: Truck freight rates remain steady at elevated levels

Source: CMIE, Emkay Research

Exhibit 10: E-way bill generation continues to grow in double-digits; at all-time high recently

Source: CMIE, Emkay Research

Implementation of DFC on the final leg of the Western Corridor (Nhava Sheva in Mumbai) getting delayed amid land acquisition, soil quality, execution issues

"... the connectivity of DFC to Nhava Sheva. DFC is now connected only to Mundra and Pipavav. Now for Nhava Sheva, they are saying it will be end of 2024."

- Sanjay Swarup, Chairman & Managing Director, Container Corporation of India (Comments in Q2FY24; [link](#))

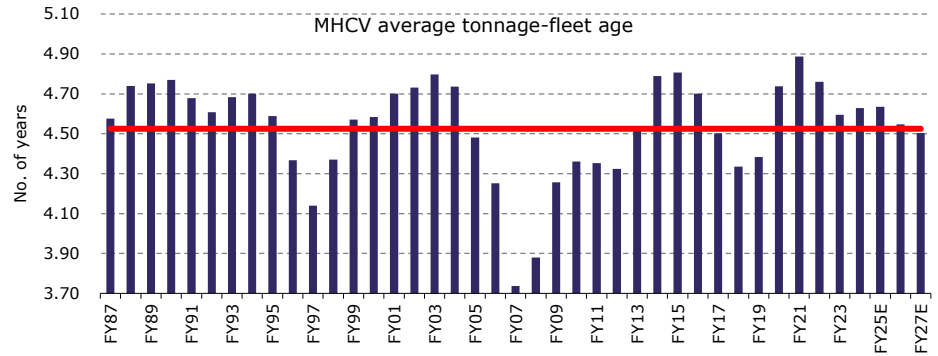
"DFC to Nhava Sheva only 100 kilometers is remaining. **And till now officially, we have come to know that by March 2025 they will be able to do it, which is a very, very optimistic target**"

- Sanjay Swarup, Chairman & Managing Director, Container Corporation of India (Comments in Q1FY25; [link](#))

"The last stretch of 104-km between Saphale and JNPT (Jawaharlal Nehru Port) was challenging from the day one because **there were a lot of land acquisition issues**. Then, the problems with Tata Projects emerged, and they **got slow in executing the project. We are not expecting WDFC to be fully operational before one year from now ... The quality of soil is not favourable. From the stability point of view, the contractor is facing issues**. Because of the intervention of the Maharashtra government, we were able to complete the land acquisition last year – after a delay of almost 15-16 years."

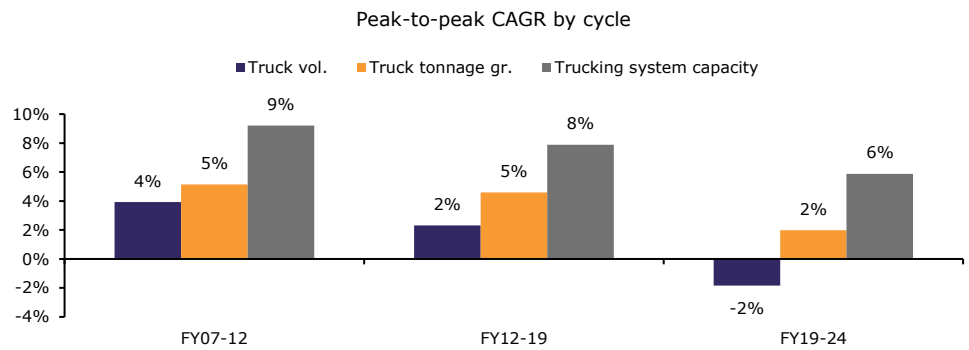
- Comments in media by a senior DFC official, in Jul-24 ([link](#))

Exhibit 11: Sharp replacement-led upturn seen in truck industry volumes since FY21; average fleet-age to start dipping below LTA going forward, as replacement demand kicks-in



Source: SIAM, Emkay Research

Exhibit 12: Trucking system capacity in the current cycle rose similarly to the earlier 2 cycles, even though industry volumes are flattish over this timeframe



Source: Emkay Research

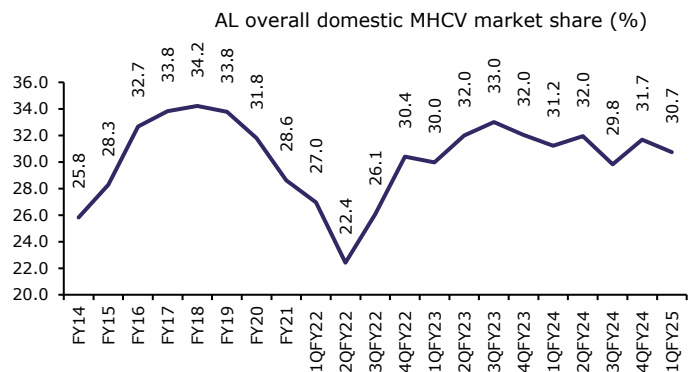
Exhibit 13: The MHCV industry retail volume decline had been narrowing prior to the high base-led weakness in Aug-24

Vahan registrations	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
2W	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	1,418,847	1,336,510
PV	297,480	314,506	339,921	351,861	279,154	362,137	305,328	291,327	306,853	275,277	257,787	291,306	283,217
3W	102,935	105,089	109,008	101,898	95,366	97,205	94,861	105,115	80,037	98,188	94,226	110,415	105,389
MHCV	24,953	27,410	31,912	28,396	24,301	30,076	28,851	30,393	32,972	26,930	22,126	24,616	22,259
LCV	47,619	49,753	55,192	53,751	47,040	53,156	51,351	51,455	47,214	46,513	41,360	46,727	43,633
Tractor	68,406	48,968	55,339	55,082	72,233	83,315	70,554	72,166	51,561	64,063	65,092	73,021	59,956

Growth YoY (%)	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
2W	7	22	(12)	22	28	15	13	5	33	2	5	15	6
PV	4	17	(2)	19	2	9	8	(10)	13	(4)	(9)	8	(5)
3W	77	59	58	30	43	41	28	20	10	20	5	13	2
MHCV	11	11	21	(1)	(0)	(1)	(4)	(16)	(5)	(4)	(7)	7	(11)
LCV	0	(2)	5	(8)	(5)	(7)	(2)	(8)	(2)	2	(9)	0	(8)
Tractor	16	(8)	3	(22)	2	24	13	(2)	3	(1)	(27)	(14)	(12)

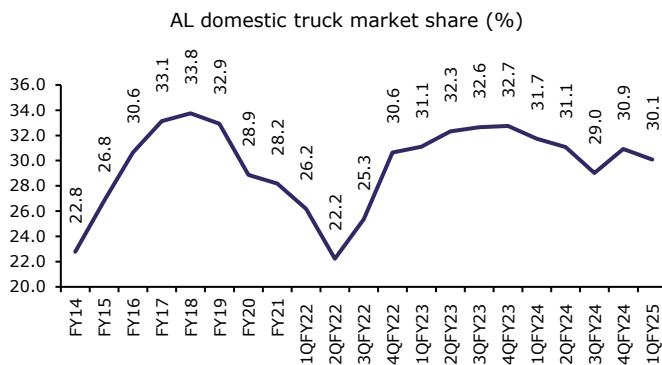
Source: Vahan, Emkay Research

Exhibit 14: AL’s overall MHCV market share down vs the recent highs



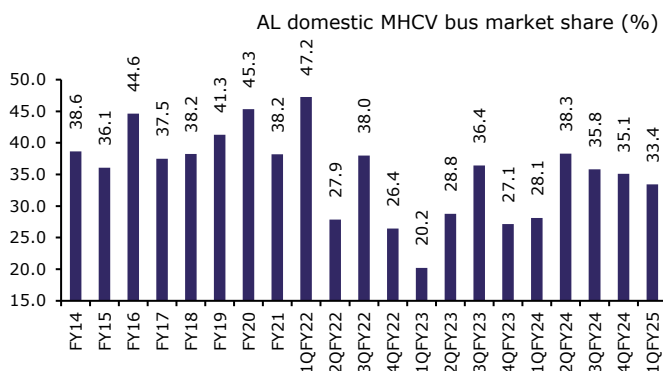
Source: SIAM, Emkay Research

Exhibit 15: Slight dip in AL’s domestic truck market share in Q1FY25



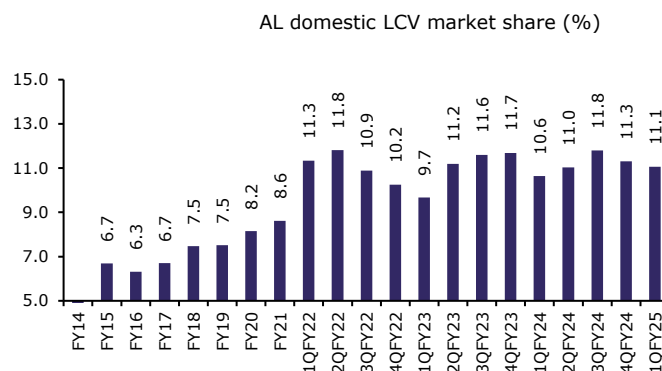
Source: SIAM, Emkay Research

Exhibit 16: Bus market share, while comfortably above the recent lows, has dipped by ~170bps QoQ in Q1FY25



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

Exhibit 17: AL’s LCV market share has been largely intact



Source: SIAM, Emkay Research

Exhibit 18: AL’s truck market share has dipped slightly in Q1FY25 vs Q4FY23

AL market share (%)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
MHCV - Passenger										
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	-
Total	26.4	20.2	28.8	36.4	27.1	28.1	38.3	35.8	35.1	33.4
MHCV - Goods										
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
Total	30.6	31.1	32.3	32.6	32.7	31.7	31.1	29.0	30.9	30.1

Source: SIAM, Emkay Research

Exhibit 19: Truck product mix – Truck industry's product mix in Q1FY25 has converged toward AL

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
Over 16T total	68.3	70.3	72.8	76.8	81.7	81.9	81.4	82.3	83.6	82.4

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
Over 16T total	78.0	77.8	82.7	86.0	89.7	86.8	88.0	87.1	85.6	82.3

Source: SIAM, Emkay Research

Exhibit 20: Domestic CVs – Player-wise, segment-wise 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

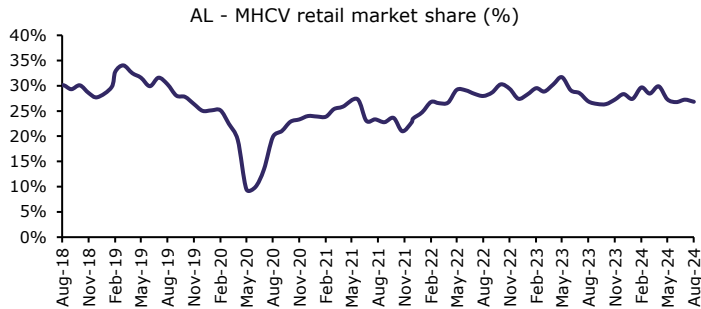
Above 16.2T

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

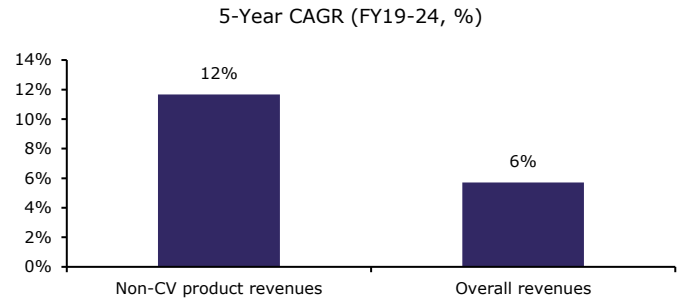
Domestic LCVs

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 21: AL's retail MHCV market share has dipped in the last 3 months, from the recent highs of ~30%

Source: Vahan, Emkay Research

Exhibit 22: Non-CV product revenues at AL have grown twice the overall revenue rate in the past 5 years

Source: Company, Emkay Research

Exhibit 23: 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
Domestic LCVs	616,580	492,882	407,871	475,989	603,465	594,864	618,659	649,591	682,071
Growth YoY (%)	19.5	(20.1)	(17.2)	16.7	26.8	(1.4)	4.0	5.0	5.0
Export MHCVs	48,676	22,333	17,548	32,181	22,067	18,225	20,048	22,052	24,257
Growth YoY (%)	10.4	(54.1)	(21.4)	83.4	(31.4)	(17.4)	10.0	10.0	10.0
Export LCVs	51,257	36,551	32,786	60,116	56,578	47,591	52,350	57,585	63,344
Growth YoY (%)	(2.9)	(28.7)	(10.3)	83.4	(5.9)	(15.9)	10.0	10.0	10.0
Total MHCVs	439,233	246,761	178,236	272,758	381,070	391,419	392,310	406,212	424,737
Growth YoY (%)	14.2	(43.8)	(27.8)	53.0	39.7	2.7	0.2	3.5	4.6
Total LCVs	667,837	529,433	440,657	536,105	660,043	642,455	671,009	707,177	745,415
Growth YoY (%)	17.4	(20.7)	(16.8)	21.7	23.1	(2.7)	4.4	5.4	5.4
Grand total	1,107,070	776,194	618,893	808,863	1,041,113	1,033,874	1,063,319	1,113,388	1,170,151
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 24: Revenue model – We build in 4%/13% volume/EPS CAGR over FY24-27E

Revenue Model (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Avg. monthly vols. (units)	11,905	6,550	4,314	6,157	10,338	10,407	10,554	10,957	11,631
MHCVs (units)	142,858	78,594	51,769	73,885	124,057	124,885	126,654	131,480	139,566
Growth (%)	8.7	(45.0)	(34.1)	42.7	67.9	0.7	1.4	3.8	6.2
Avg. monthly vols. (units)	4,542	3,887	4,076	4,537	5,679	5,814	6,062	6,379	6,713
LCVs (units)	54,508	46,646	48,908	54,441	68,148	69,763	72,746	76,549	80,560
Growth (%)	25.5	(14.4)	4.8	11.3	25.2	2.4	4.3	5.2	5.2
Share of MHCVs in total vols. (%)	72.4	62.8	51.4	57.6	64.5	64.2	63.5	63.2	63.4
Volumes (units)	197,366	125,240	100,677	128,326	192,205	194,648	199,399	208,029	220,126
Growth (%)	12.9	(36.5)	(19.6)	27.5	49.8	1.3	2.4	4.3	5.8
ASP (Rs/unit)	1,472,136	1,394,720	1,519,856	1,690,093	1,880,499	1,971,098	1,992,099	2,023,028	2,046,515
Growth (%)	(2.3)	(5.3)	9.0	11.2	11.3	4.8	1.1	1.6	1.2
Revenues	290,550	174,675	153,015	216,883	361,441	383,670	397,223	420,849	450,491
Growth (%)	10.2	(39.9)	(12.4)	41.7	66.7	6.2	3.5	5.9	7.0
EBITDA	31,357	11,737	5,351	9,945	29,307	46,066	51,221	55,997	61,631
EBITDA margin (%)	10.8	6.7	3.5	4.6	8.1	12.0	12.9	13.3	13.7
EBITDA growth (%)	5.8	(62.6)	(54.4)	85.8	194.7	57.2	11.2	9.3	10.1
EBITDA/unit (Rs)	158,879	93,712	53,154	77,499	152,478	236,662	256,877	269,176	279,980
EBIT	25,365	5,348	(1,945)	2,826	22,444	39,385	43,625	47,804	52,973
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	43,259	47,465	52,655
Tax	5,280	1,452	(982)	(142)	7,303	11,743	13,396	12,104	13,427
Tax rate (%)	21	28	25	(85)	36	30	31	26	26
PAT	20,263	3,726	(3,016)	310	12,955	27,116	29,863	35,361	39,228
EPS (Rs)	6.9	1.3	(1.0)	0.1	4.4	9.2	10.2	12.0	13.4
Net debt/(cash)	8,989	19,628	7,154	283	3,259	3,614	7,000	5,796	6,096
ROE (%)	26	5	-4	0	16	31	32	34	34
ROCE (%)	20	4	-1	2	14	25	28	28	28

Source: Company, Emkay Research

Exhibit 25: Change in estimates – Our estimates are unchanged

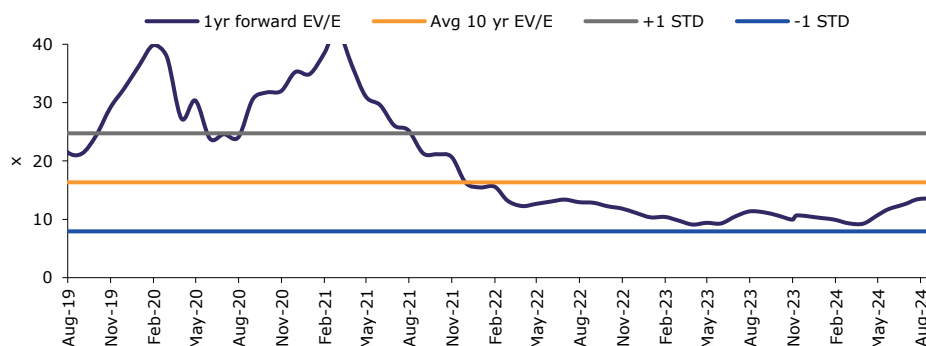
(Rs mn)	FY25E				FY26E				FY27E			
	Earlier	Revised	% Chg	% YoY	Earlier	Revised	% Chg	% YoY	Earlier	Revised	% Chg	% YoY
Volume	199,163	199,399	0.1	2.4	207,769	208,029	0.1	4.3	219,840	220,126	0	5.8
Revenue	396,817	397,223	0.1	3.5	420,374	420,849	0.1	5.9	449,947	450,491	0	7.0
EBITDA	51,183	51,221	0.1	11.2	55,917	55,997	0.1	9.3	61,537	61,631	0	10.1
EBITDA %	12.9	12.9	(0) bps	89 bps	13.3	13.3	0 bps	41 bps	13.7	13.7	0.4	38 bps
Adj PAT	29,837	29,863	0.1	10.1	35,303	35,361	0.2	18.4	39,160	39,228	0	10.9
EPS (Rs)	10.2	10.2	0.1	10.1	12.0	12.0	0.2	18.4	13.3	13.4	0.2	10.9

Source: Emkay Research

Exhibit 26: Emkay vs. Consensus estimates

Ashok Leyland	Emkay Estimates			Bloomberg estimates			Difference (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenue	397,223	420,849	450,491	415,122	451,486	478,682	-4.3%	-6.8%	-5.9%
EBITDA	51,221	55,997	61,631	51,534	56,871	60,202	-0.6%	-1.5%	2.4%
EBITDA margin (%)	12.9	13.3	13.7	12.4	12.6	12.6	48 bps	71 bps	110 bps
EPS (Rs)	10.2	12.0	13.4	11.0	12.4	13.9	-7.1%	-2.6%	-4.1%

Source: Bloomberg, Emkay Research

Exhibit 27: AL trades below LTA on EV/EBITDA basis

Source: Bloomberg, Emkay Research

Exhibit 28: AL is among the least expensive stocks in Auto OEMs

	EPS CAGR (%)	P/E (x)			EV/EBITDA (x)			P/BV (x)		
	FY24-27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Ashok Leyland	13%	24.7	20.9	18.8	15.7	14.1	12.8	7.5	6.7	6.0
Bajaj Auto	13%	34.6	31.3	28.3	26.7	23.8	21.1	12.1	11.8	11.2
TVS Motor	27%	45.2	35.8	30.7	26.0	20.4	17.4	13.4	10.6	8.6
Hero MotoCorp	8%	23.8	21.2	19.0	16.6	14.8	13.0	5.9	5.4	5.1
Eicher Motors (Consol)	9%	29.5	27.9	25.3	24.0	21.2	19.2	6.3	5.5	4.7
Maruti Suzuki	9%	26.0	24.2	22.5	16.3	14.5	12.9	4.2	3.8	3.4
Tata Motors (Consol)	-1%	17.0	13.7	12.5	6.8	6.0	5.4	3.7	3.0	2.4
Mahindra & Mahindra	7%	28.8	27.1	25.3	24.8	22.2	19.7	6.5	5.5	4.8
Escorts Kubota	21%	30.7	25.9	22.3	22.9	18.6	15.5	4.0	3.6	3.2

Source: Bloomberg, Emkay Research

Ashok Leyland: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	361,441	383,670	397,223	420,849	450,491
Revenue growth (%)	66.7	6.2	3.5	5.9	7.0
EBITDA	29,307	46,066	51,221	55,997	61,631
EBITDA growth (%)	194.7	57.2	11.2	9.3	10.1
Depreciation & Amortization	7,320	7,178	8,133	8,676	9,093
EBIT	21,987	38,888	43,088	47,321	52,538
EBIT growth (%)	809.5	76.9	10.8	9.8	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	2,335	2,406	2,487
PBT	20,258	38,859	43,259	47,465	52,655
Extraordinary items	0	0	0	0	0
Taxes	7,303	11,743	13,396	12,104	13,427
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	13,801	26,179	29,863	35,361	39,228
PAT growth (%)	154.7	89.7	14.1	18.4	10.9
Adjusted PAT	12,955	27,116	29,863	35,361	39,228
Diluted EPS (Rs)	4.4	9.2	10.2	12.0	13.4
Diluted EPS growth (%)	154.7	89.7	14.1	18.4	10.9
DPS (Rs)	2.6	5.0	6.5	8.5	9.0
Dividend payout (%)	55.3	55.5	63.9	70.6	67.4
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
NOPLAT (pre-IndAS)	14,061	27,136	29,745	35,254	39,140
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	43,259	47,465	52,655
Others (non-cash items)	13,716	(31,615)	6,632	6,428	11,634
Taxes paid	(4,002)	(6,245)	(13,439)	(12,151)	(13,480)
Change in NWC	(9,458)	24,970	(3,821)	(3,915)	556
Operating cash flow	21,360	25,031	32,631	37,826	51,366
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
Investing cash flow	(17,345)	9,021	(14,500)	(10,796)	(11,096)
Equity raised/(repaid)	1	0	0	0	0
Debt raised/(repaid)	4,286	(20,708)	688	709	889
Payment of lease liabilities	(177)	0	0	0	0
Interest paid	(2,891)	(2,494)	(2,335)	(2,406)	(2,487)
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
Financing cash flow	(9,472)	(4,684)	(16,181)	(20,782)	(26,555)
Net chg in Cash	(5,457)	29,369	1,950	6,248	13,715
OCF	21,360	25,031	32,631	37,826	51,366
Adj. OCF (w/o NWC chg.)	30,818	61	36,451	41,742	50,809
FCFF	17,104	20,217	25,631	32,030	45,270
FCFE	14,660	17,722	23,296	29,624	42,782
OCF/EBITDA (%)	72.9	54.3	63.7	67.6	83.3
FCFE/PAT (%)	106.2	67.7	78.0	83.8	109.1
FCFF/NOPLAT (%)	121.6	74.5	86.2	90.9	115.7

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	95,946	106,350	119,153
Net worth	84,258	88,104	98,882	109,286	122,090
Minority interests	0	0	0	0	0
Deferred tax liability (net)	5,035	5,563	5,520	5,472	5,420
Total debt	43,253	22,545	23,233	23,942	24,831
Total liabilities & equity	132,547	116,212	127,635	138,701	152,341
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
Cash & equivalents	32,727	36,872	38,822	45,071	58,785
Current assets (ex-cash)	89,182	83,945	89,086	96,691	103,501
Current Liab. & Prov.	92,651	119,245	121,281	126,188	135,076
NWC (ex-cash)	(3,469)	(35,301)	(32,195)	(29,497)	(31,575)
Total assets	132,547	116,212	127,635	138,701	152,341
Net debt	10,526	(14,327)	(15,589)	(21,129)	(33,954)
Capital employed	132,547	116,212	127,635	138,701	152,341
Invested capital	59,572	24,217	24,302	25,323	19,948
BVPS (Rs)	28.7	30.0	33.7	37.2	41.6
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)	(0.6)
Interest coverage (x)	0.1	0.1	0.1	0.0	0.0
RoCE (%)	14.1	24.9	28.0	28.1	28.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	56.9	27.2	24.7	20.9	18.8
P/CE(x)	36.4	21.5	19.4	16.7	15.3
P/B (x)	8.8	8.4	7.5	6.7	6.0
EV/Sales (x)	2.1	1.9	1.8	1.7	1.6
EV/EBITDA (x)	25.5	15.7	14.1	12.8	11.4
EV/EBIT(x)	34.0	18.6	16.8	15.1	13.4
EV/IC (x)	12.6	29.9	29.7	28.3	35.3
FCFF yield (%)	2.3	2.8	3.6	4.5	6.4
FCFE yield (%)	2.0	2.4	3.2	4.0	5.8
Dividend yield (%)	1.0	2.0	2.6	3.4	3.6
DuPont-RoE split					
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
RoE (%)	16.4	31.5	31.9	34.0	33.9
DuPont-RoIC					
NOPLAT margin (%)	3.9	7.1	7.5	8.4	8.7
IC turnover (x)	6.1	15.8	16.3	16.6	22.6
RoIC (%)	24.9	64.8	122.6	142.1	172.9
Operating metrics					
Core NWC days	(3.5)	(33.6)	(29.6)	(25.6)	(25.6)
Total NWC days	(3.5)	(33.6)	(29.6)	(25.6)	(25.6)
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

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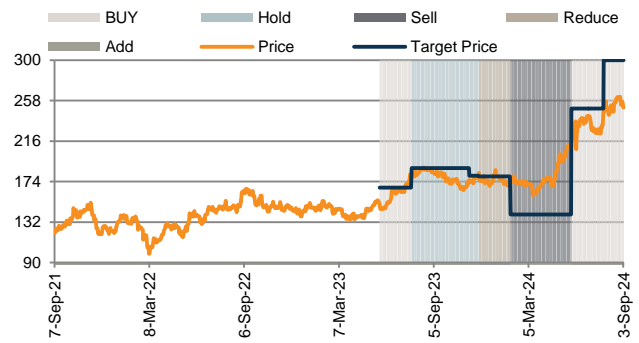
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Date	Closing Price (INR)	TP (INR)	Rating	Analyst
27-Jul-24	246	300	Buy	Chirag Jain
26-May-24	211	250	Buy	Chirag Jain
30-Jan-24	173	140	Sell	Chirag Jain
11-Jan-24	177	180	Reduce	Chirag Jain
30-Nov-23	183	180	Reduce	Chirag Jain
12-Nov-23	176	180	Hold	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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