

Ashok Leyland | BUY

Margin expansion to continue driven by non-truck business

In 2QFY26, Ashok Leyland (AL) reported an EBITDA margin of 12.1%, up 50 bps YoY and 40 bps above JMFe. The company expects 2HFY26 to outperform 1HFY26 in terms of volumes, with LCVs outpacing MHCVs, supported by GST rationalisation, higher government capex, improved fleet utilisation, renewed construction and mining activity, and RBI rate cuts. While concerns around input tax credit (ITC) persist, particularly in the MHCV segment as LCV owners are mostly single operators or small fleet owners, strong freight demand should help offset the adverse impact. A healthy defence order book and robust export momentum should further aid volumes. We forecast ~8% volume CAGR over FY25–27E, driven by GST rate cuts, favourable macroeconomic conditions, new product launches, and expanding touchpoints. Margins are expected to benefit from an increasing share of high-margin non-MHCV, disciplined cost control and export segments. Accordingly, we revise our EBITDA margin estimates upward by ~40bps/50bps for FY26E/27E. We roll forward and apply a 21x PE multiple (versus 20x earlier) on average FY27E/28E EPS to arrive at a target price of INR 165. We maintain BUY.

- **2QFY26 – Margin above JMFe:** In 2QFY26, AL reported net sales of INR 95.9bn (+9.3% YoY, +9.9% QoQ), in-line with JMFe. Blended realisations grew by 1.6% YoY (-1% QoQ). Total volume grew 7.7% YoY (+11% QoQ). EBITDA margin stood at 12.1% (+50bps YoY, +100bps QoQ), 40bps above JMFe. EBITDA stood at INR 11.6bn (+14.2% YoY, +19.9% QoQ), 3.9% above JMFe. PAT came in at INR 8.1bn (+24.3% YoY, +36.6% QoQ), 14.6% above JMFe owing to higher-than-expected other income.
- **Demand outlook:** AL highlighted that MHCV industry volumes grew by 4% YoY in 2QFY26, while LCV (2–4T) volumes increased by 13% YoY, driven by GST rationalisation which boosted freight demand. AL's domestic MHCV market share stood at 31% in 1HFY26 compared to 30.5% in 1HFY25. In the LCV (0–7.5T) segment, market share improved to 13.2%, up 90 bps YoY. The company expects 2HFY26 to outperform 1HFY26 in terms of volumes, with LCVs marginally outpacing MHCVs, supported by GST rationalisation, higher government capex, stable freight rates, improved fleet utilisation, renewed construction and mining activity, and RBI rate cuts. Overall, aided by GST rate cuts, favourable macroeconomic conditions, new product launches, and expanding touchpoints, we expect AL's volumes to deliver a CAGR of approximately 8% over FY25–27E.
- **Rising contribution from domestic non-truck segments:** Non-truck segments now contribute approximately 50% of revenue, compared to 42–45% earlier and 40% in FY22. Within this, buses account for 13%, LCVs for 12%, spares for 10%, and exports for 7–8%. These segments have higher margins than MHCVs, which has led to a significant reduction in breakeven levels - from 6,000–7,000 monthly units earlier to 1,000–1,200 units currently. Additionally, defence revenue grew 25% YoY in 2QFY26, and the order book remains healthy for FY26, ensuring steady contribution from this segment.
- **Exports outlook:** On the exports front, volumes grew by approximately 45% YoY in 2Q and 35% YoY in 1HFY26. The company expects this strong momentum to continue, supported by demand recovery in the GCC, SAARC, and Africa regions. Management aims to increase export volumes to around 18,000 units in FY26 compared to 15,000 units in FY25, with a medium-term target of approximately 25,000 units.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	165
Upside/(Downside)	15.8%
Previous Price Target	140
Change	17.9%

Key Data – AL IN

Current Market Price	INR143
Market cap (bn)	INR837.2/US\$9.4
Free Float	61%
Shares in issue (mn)	5,873.0
Diluted share (mn)	5,873.0
3-mon avg daily val (mn)	INR2,237.3/US\$25.2
52-week range	148/95
Sensex/Nifty	84,467/25,876
INR/US\$	88.6

Price Performance

%	1M	6M	12M
Absolute	3.6	23.3	28.9
Relative*	1.2	20.3	20.1

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	3,83,670	3,87,527	4,28,433	4,75,319	5,18,274
Sales Growth	6.2%	1.0%	10.6%	10.9%	9.0%
EBITDA	46,066	49,306	57,842	65,770	72,603
EBITDA Margin	12.0%	12.7%	13.5%	13.8%	14.0%
Adjusted Net Profit	27,116	31,996	38,236	43,787	48,914
Diluted EPS (INR)	4.6	5.4	6.5	7.5	8.3
Diluted EPS Growth	109.3%	18.0%	19.5%	14.5%	11.7%
ROIC	138.5%	596.6%	198.0%	125.9%	151.3%
ROE	37.3%	36.2%	33.6%	31.3%	28.5%
P/E (x)	31.0	26.2	22.0	19.2	17.2
P/B (x)	22.5	16.5	6.7	5.4	4.4
EV/EBITDA (x)	18.0	16.8	14.7	12.6	11.1
Dividend Yield	0.9%	2.2%	1.7%	1.7%	1.7%

Source: Company data, JM Financial. Note: Valuations as of 12/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Profitability outlook:** During 2QFY26, EBITDA margin improved by 50 bps YoY to 12.1%, driven by a favorable product mix supported by an increasing share of non-MHCV business and sustained cost-control initiatives. The company successfully passed on additional costs arising from AC norm compliance. Raw material costs are expected to improve in Q3FY26 compared to Q2FY26, which may support further margin expansion. Additionally, margins are expected to benefit from the launch of new heavy-duty trucks.
- **Product launch pipeline:** The company is set to strengthen its product portfolio with significant launches in 3Q/4Q, including a new range of heavy-duty trucks featuring 320 hp and 360 hp engines. In line with its strategic shift toward alternative powertrains, the company is expanding its non-diesel offerings with two light electric CVs, three MHCV electric models, and multiple buses. Upcoming bus launches include 13.5-meter and 15-meter models with the highest sleeper capacity in the segment. The recently introduced LCV model Saathi has exceeded expectations, contributing 22 to 25 percent of the ~4,000 monthly units, with minimal cannibalization. The company maintains strong coverage in the 2 to 4 ton segment, which represents over 50 percent of industry volumes, and plans to address the bi-fuel gap with a launch expected within the next two quarters, currently in the testing phase.
- **Update on EV business:** Switch Mobility sold 600 e-buses and 600 e-LCVs and is currently EBITDA and PAT positive, with free cash flow breakeven targeted by FY27. The company has an order book of over 1,650 buses. AL's e-MaaS arm, OHM, operates 1,100 buses with fleet availability of more than 98% and aims to scale up to 2,500 buses within the next twelve months.
- **Other highlights:** 1) HLFH delivered strong performance with AUM for HLF/HHF at INR 526bn/149bn (+26%/20% YoY). The HLFH reverse merger is expected to conclude in the coming quarters. 2) Lucknow plant slated for 3QFY26 commissioning and post it the total buses capacity including Andhra Pradesh plant will reach to 20k per annum versus 12k now. 3) Net cash stood at INR 10bn (vs. net debt of INR 5bn in 2QFY25), 4) Capex to be INR 10bn in FY26 (~INR 6.6bn already done).

Exhibit 1. Standalone quarterly performance

AL (INR mn)	Q2FY26	Q2FY25	% YoY	Q1FY26	% QoQ	Q2FY26E	% A/E
MHCV (Units)	30,718	28,180	9.0	28,071	9.4	30,718	0.0
LCV (Units)	18,398	17,444	5.5	16,167	13.8	18,398	0.0
Total Volumes (Units)	49,116	45,624	7.7	44,238	11.0	49,116	0.0
Average Realisation (Net, INR)	1,952,150	1,921,977	1.6	1,972,176	-1.0	1,946,143	0.3
Sales	95,882	87,688	9.3	87,245	9.9	95,587	0.3
RM	68,237	62,410	9.3	61,628	10.7	67,175	1.6
As a % of sales	71.2	71.2	0bps	70.6	50bps	70.3	90bps
Employee Exp	6,478	5,987	8.2	6,122	6	6,428	0.8
As a % of sales	6.8	6.8	-10bps	7.0	-30bps	6.7	0bps
Other Costs	9,546	9,118	4.7	9,799	-2.6	10,799	-11.6
As a % of sales	10.0	10.4	-40bps	11.2	-130bps	11.3	-130bps
Expenditure	84,260	77,515	8.7	77,550	8.7	84,402	-0.2
EBITDA	11,622	10,173	14.2	9,696	19.9	11,185	3.9
EBITDA Margin	12.1	11.6	50bps	11.1	100bps	11.7	40bps
Other Income	1,348	973	38.6	529	155.0	539	150.0
Interest	420	607	-30.8	419	0.3	410	2.3
Depreciation	1,723	1,754	-1.8	1,828	-5.7	1,874	-8.0
PBT	10,827	8,785	23.2	7,977	35.7	9,440	14.7
Tax	2,716	2,257	20.3	2,040	33.1	2,360	15.1
Tax rate (%)	25.1	25.7		25.6		25.0	
PAT (Adjusted)	8,111	6,527	24.3	5,937	36.6	7,080	14.6
PAT Margin (Adjusted)	8.5	7.4	100bps	6.8	170bps	7.4	110bps
EPS (INR)	1.4	1.1	24.3	1.0	36.6	1.2	14.6

Source: Company, JM Financial

Exhibit 2. Revenue and volume trend

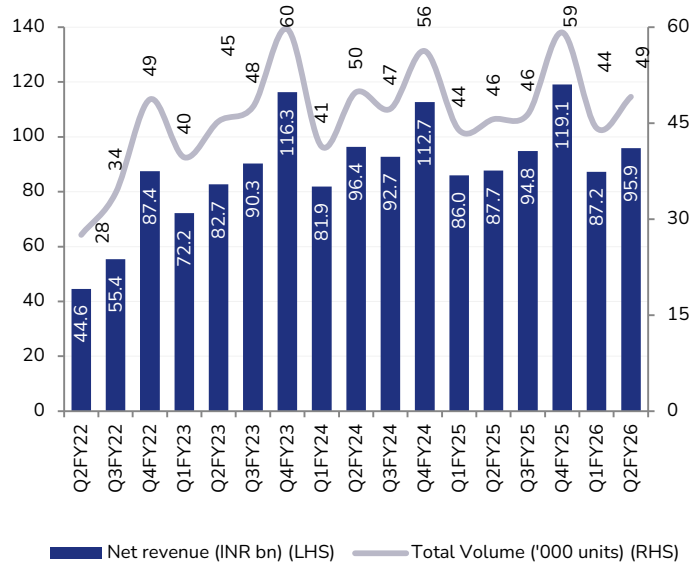
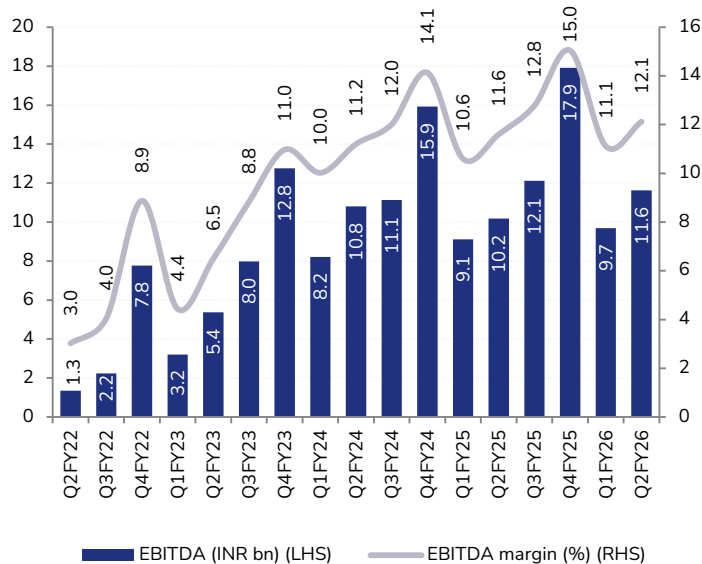


Exhibit 3. EBITDA and Margin trend



Source: Company, JM Financial

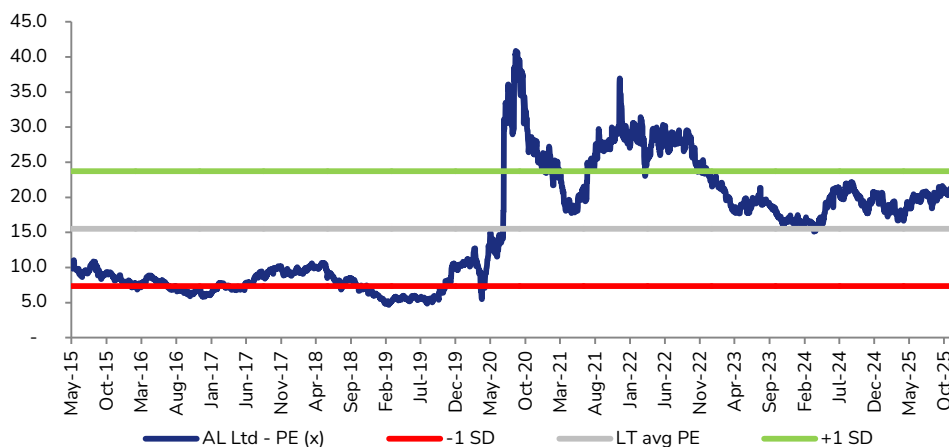
Source: Company, JM Financial

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	428,433	475,319	387,527	421,804	461,771	0.0%	1.6%	2.9%
EBITDA (INR mn)	49,306	57,842	65,770	49,306	55,080	61,650	0.0%	5.0%	6.7%
EBITDA margin (%)	12.7%	13.5%	13.8%	12.7%	13.1%	13.4%	0bps	44bps	49bps
PAT (INR mn)	31,996	38,236	43,787	31,996	36,178	40,718	0.0%	5.7%	7.5%
EPS (INR)	5.4	6.5	7.5	5.4	6.2	6.9	0.0%	5.7%	7.5%

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	3,83,670	3,87,527	4,28,433	4,75,319	5,18,274
Sales Growth	6.2%	1.0%	10.6%	10.9%	9.0%
Other Operating Income	0	0	0	0	0
Total Revenue	3,83,670	3,87,527	4,28,433	4,75,319	5,18,274
Cost of Goods Sold/Op. Exp	2,79,120	2,76,228	3,03,022	3,35,748	3,65,966
Personnel Cost	22,334	24,063	26,262	28,363	30,632
Other Expenses	36,151	37,931	41,307	45,438	49,073
EBITDA	46,066	49,306	57,842	65,770	72,603
EBITDA Margin	12.0%	12.7%	13.5%	13.8%	14.0%
EBITDA Growth	57.2%	7.0%	17.3%	13.7%	10.4%
Depn. & Amort.	7,178	7,193	7,690	8,524	8,673
EBIT	38,888	42,112	50,152	57,245	63,930
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	51,323	58,775	65,656
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	38,859	42,446	51,323	58,775	65,656
Taxes	11,743	10,450	13,087	14,988	16,742
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	38,236	43,787	48,914
Adjusted Net Profit	27,116	31,996	38,236	43,787	48,914
Net Margin	7.1%	8.3%	8.9%	9.2%	9.4%
Diluted Share Cap. (mn)	5,872.6	5,873.0	5,873.0	5,873.0	5,873.0
Diluted EPS (INR)	4.6	5.4	6.5	7.5	8.3
Diluted EPS Growth	109.3%	18.0%	19.5%	14.5%	11.7%
Total Dividend + Tax	15,269	36,706	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	51,323	58,775	65,656
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 WCap.	20,378	6,156	-17,087	2,720	3,359
Others	0	0	0	0	0
Taxes Paid	-11,743	-10,450	-13,087	-14,988	-16,742
Operating Cash Flow	57,166	47,514	30,296	56,314	62,228
Capex	-4,345	-8,363	-9,248	-9,248	-9,248
Free Cash Flow	52,822	39,151	21,048	47,066	52,981
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
Investing Cash Flow	4,199	-41,664	-23,204	-23,029	-23,029
Inc / Dec (-) in Capital	0	0	2,937	0	0
Dividend + Tax thereon	-15,269	-36,706	-14,683	-14,683	-14,683
Inc / Dec (-) in Loans	-9,254	-8,177	-3,500	0	0
Others	-7,404	31,745	-2,937	0	0
Financing Cash Flow	-31,927	-13,138	-18,183	-14,683	-14,683
Inc / Dec (-) in Cash	29,439	-7,288	-11,091	18,602	24,517
Opening Cash Balance	5,013	34,382	27,060	2,639	21,241
Closing Cash Balance	34,452	27,094	15,968	21,241	45,757

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	74,740	1,01,859	1,25,412	1,54,517	1,88,748
Share Capital	2,936	2,937	5,873	5,873	5,873
Reserves & Surplus	71,804	98,922	1,19,539	1,48,644	1,82,875
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
Total - Equity & Liab.	1,03,297	1,22,155	1,42,208	1,71,313	2,05,544
Net Fixed Assets	61,533	62,703	64,260	64,984	65,558
Gross Fixed Assets	1,14,435	1,18,688	1,27,935	1,37,183	1,46,430
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	54,917	60,233	67,922	76,447	85,120
Capital WIP	2,015	4,248	4,248	4,248	4,248
Investments	55,598	86,730	99,230	1,11,730	1,24,230
Current Assets	1,18,987	1,05,826	1,00,378	1,28,659	1,62,082
Inventories	31,907	29,573	35,117	39,008	42,425
Sundry Debtors	35,699	28,873	41,083	45,579	49,697
Cash & Bank Balances	34,382	27,060	2,639	21,241	45,757
Loans & Advances	16,999	20,320	21,540	22,832	24,202
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	1,19,457	1,19,774	1,21,660	1,34,059	1,46,325
Current Liabilities	63,052	73,047	70,567	78,188	85,225
Provisions & Others	56,405	46,727	51,093	55,871	61,101
Net Current Assets	-470	-13,948	-21,282	-5,400	15,757
Total - Assets	1,16,661	1,35,484	1,42,208	1,71,313	2,05,544

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	7.1%	8.3%	8.9%	9.2%	9.4%
Asset Turnover (x)	3.4	3.2	3.2	3.1	2.8
Leverage Factor (x)	1.6	1.4	1.2	1.1	1.1
RoE	37.3%	36.2%	33.6%	31.3%	28.5%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	6.4	8.7	21.4	26.3	32.1
ROIC	138.5%	596.6%	198.0%	125.9%	151.3%
ROE	37.3%	36.2%	33.6%	31.3%	28.5%
Net Debt/Equity (x)	-0.2	-0.1	0.1	-0.1	-0.2
P/E (x)	31.0	26.2	22.0	19.2	17.2
P/B (x)	22.5	16.5	6.7	5.4	4.4
EV/EBITDA (x)	18.0	16.8	14.7	12.6	11.1
EV/Sales (x)	2.2	2.1	2.0	1.7	1.6
Debtor days	34	27	35	35	35
Inventory days	30	28	30	30	30
Creditor days	68	79	70	70	70

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
25-Jun-21	Buy	75	
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
15-Aug-25	Buy	140	6.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
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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