

Retail Equity Research  
**Ashok Leyland Ltd.**  
Automobile-Commercial

**BUY**

BSE CODE : 500477      NSE CODE: ASHOKLEY  
BLOOMBERG CODE: AL:IN      SENSEX : 81,868

12 Months Investment Period      Rating as per Large Cap  
**CMP Rs. 250    TARGET Rs. 280    RETURN 12%** ↑  
(Closing: 01-08-2024)

**KEY CHANGES:**      **TARGET** ↑      **RATING** ↔      **EARNINGS** ↑

**Positive volume growth despite weak quarter.**

Ashok Leyland Ltd. (AL) is the second-largest Commercial Vehicle (CV) manufacturer in India. It has a strong presence in the truck segment, with a market share of 33% as of FY24.

- Despite a weak quarter due to pre buying in March and election concerns, volume grew by 6.2% YoY for Q1FY25.
- EBITDA Margin came at 10.6% (+57bps) owing to lower metal price, efficiency in sourcing and better product mix.
- AL achieved a market share of 31% in line with the industry growth. This is due to new launches and a strong presence in the higher tonnage category with healthy double digit growth.
- We expect earnings to grow by 12% CAGR over FY24-26E, factoring in margin expansion, superior product mix, and pick up in the infrastructure activities.
- On a 1yr. fwd. basis, AL is trading at 15x in line with its historical avg. We value AL at 15x FY26E EV/EBITDA and maintain Buy rating with a target price of Rs.280/- at CMP.

**Both heavy and light truck volume to gain attraction...**

Q1FY25 revenue grew by 5% YoY driven by growth in the heavy truck & bus segments, supported by a favourable mix. However, the tipper segment saw a decline, largely due to delay in project execution related to election. The domestic volume for the quarter grew by 6% over the same period last year, marginally outperforming the industry. As a result, AL maintained its market share compared to the same quarter last year. For Q1FY24, the Medium & Heavy truck segment (M&HCV) and LCV (Light commercial vehicle) volume grew by 7% and 6% YoY, respectively. However, export volume remains muted. EBITDA margin expanded by 57bps YoY due to softening steel prices, cost control initiatives, and superior product mix. We expect the demand to improve going forward owing to a pick-up in construction activity, higher budget allocation in rural infrastructure segment.

**Medium to long term triggers to remain**

The CV industry may experience normal growth for the fiscal year, and we expect the industry to grow by 7-8% in FY25 due to a revival in the bus segment, a recovery in replacement demand, and continued momentum in the MHCV segment. The company underlined strong momentum in the power solutions, spare parts and defence sectors, and anticipates that defence business revenues will double within in next 2 to 3 years. In addition, the company seeks to outperform the market by increasing market share in its weak territories (North and East markets), expanding its dealer network, and launching new products frequently. On account of the anticipated resurgence of a few of its export markets, it is projected that export volumes will pick up during the fiscal year 2024. Capital expenditures: Rs. 500-700cr. for FY25.

**Expansion in the LCV & EV business**

The company has been successful in gaining market share in the LCV segment with its modular platform strategy to reduce the number of parts per vehicle, which has resulted in better economies of scale, better production planning, and improved supply chain management to reduce the cost of the vehicle. AL is also optimistic about the growth prospects in the E-LCV space. Initial response for the first IEV4 space had a goods response, and has lined 4 more launch for FY25. The company's EV arm, Switch, received an order for E-Buses 950 units for Delhi, 300 units for Bengaluru, and 100 for UP.

**Valuations**

AL has taken a continuous price hike and is not expecting any further decline in the margin owing to a softening commodity price and inventory correction. Despite challenges in the tipper truck segment, management anticipates improved demand in H2FY25, driven by optimism in infrastructure and rural construction sectors. Given strong margin expansion and earnings recovery in H2, we value AL at 15x EV/EBITDA and have a target price of Rs.280, and recommend Buy rating at CMP.

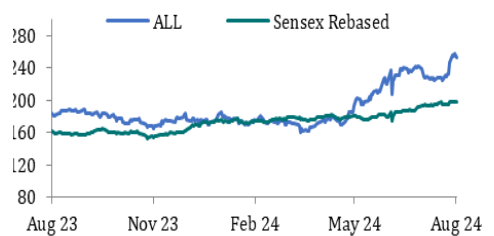
**Company Data**

Market Cap (Rs.cr)	73,396
Enterprise Value (Rs.cr)	1,07,115
Outstanding Shares (cr)	293.6
Free Float	49%
Dividend Yield	2.0%
52 week high Rs.	259
52 week low Rs.	158
6m average volume (cr)	1.52
Beta	0.9
Face value Rs.	1

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	51.5	51.5	51.5
FII's	20.5	21.5	22.0
MFs/Insti	14.5	12.0	14.0
Public	13.4	15.0	12.4
Total	100.0	100.0	100.0
Promoters pledge	15.0	22.1	22.1

Price Performance	3 Month	6 Month	1 Year
Absolute Return	25.0%	45.3%	40.2%
Absolute Sensex	10.8%	13.5%	24.4%
Relative Return*	14.2%	31.8%	15.8%

\*over or under performance to benchmark index



Standalone (cr)	FY24A	FY25E	FY26E
Sales	38,367	40,865	44,580
Growth (%)	6.2	6.5	9.1
EBITDA	4,607	4,904	5,350
EBITDA Margin (%)	12.0	12.0	12.0
Adj. PAT	2,712	3,023	3,403
Growth (%)	109.3	11.5	12.6
Adj. EPS	9.2	10.3	11.6
Growth (%)	109.3	11.5	12.6
P/E	27.1	24.3	21.6
P/B	4.5	3.2	2.5
EV/EBITDA	16.3	14.9	13.3
ROE (%)	28.3	24.9	22.6
D/E	0.2	0.2	0.1

**Saji John**  
Research Analyst



## Quarterly Financials (Standalone)

### Profit & Loss

(Rs cr.)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
<b>Sales</b>	<b>8,599</b>	<b>8,189</b>	<b>5.0</b>	<b>11,267</b>	<b>-23.7</b>
<b>EBITDA</b>	<b>911</b>	<b>821</b>	<b>11.0</b>	<b>1,592</b>	<b>-42.8</b>
EBITDA margins (%)	10.6	10.0	57bps	14.1	-354bps
Depreciation	173	179	-3.7	180	-3.9
<b>EBIT</b>	<b>738</b>	<b>641</b>	<b>15.1</b>	<b>1412</b>	<b>-47.7</b>
Interest	59	70	-15.5	59	-0.3
Other Income	22	51	-56.4	118	-81.1
Exceptional Items	0	-1	-100.0	-70	-100.0
<b>PBT</b>	<b>701</b>	<b>622</b>	<b>12.8</b>	<b>1401</b>	<b>-49.9</b>
Tax	176	46	284.9	501	-64.9
Share of profit from associates	0	0	0.0	0	0.0
Minority interest	0	0	0.0	0	0.0
<b>Reported PAT</b>	<b>526</b>	<b>576</b>	<b>-8.8</b>	<b>900</b>	<b>-41.6</b>
Adjustments	0	1	0.0	70	-100.0
<b>Adj PAT</b>	<b>526</b>	<b>577</b>	<b>-8.9</b>	<b>970</b>	<b>-45.8</b>
No. of Shares	294	294	0.0	294	0.0
<b>Adj EPS (Rs)</b>	<b>1.8</b>	<b>2.0</b>	<b>-8.9</b>	<b>3.3</b>	<b>-45.8</b>

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	41,388	44,898	40,865	44,580	-1.3	-0.7
EBITDA	4,346	4,714	4,904	5,350	12.8	13.5
Margins (%)	10.5	10.5	12.0	12.0	150bps	150bps
Adj. PAT	2,244	2,507	3,023	3,403	34.7	35.7
EPS	7.6	8.5	10.3	11.6	35.5	36.4

## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>17,467</b>	<b>15,301</b>	<b>21,688</b>	<b>36,144</b>	<b>38,367</b>	<b>40,865</b>	<b>44,580</b>
% change	-39.9	-12.4	41.7	66.7	6.2	6.5	9.1
<b>EBITDA</b>	<b>1,174</b>	<b>535</b>	<b>995</b>	<b>2,931</b>	<b>4,607</b>	<b>4,904</b>	<b>5,350</b>
% change	-62.6	-54.4	85.8	194.7	57.2	6.5	9.1
Depreciation	671	822	764	732	718	846	868
<b>EBIT</b>	<b>502</b>	<b>-287</b>	<b>231</b>	<b>2,199</b>	<b>3,889</b>	<b>4,058</b>	<b>4,482</b>
Interest	109	307	301	289	249	256	166
Other Income	123	120	76	116	247	262	259
<b>PBT</b>	<b>393</b>	<b>-594</b>	<b>-70</b>	<b>1,910</b>	<b>3,639</b>	<b>3,802</b>	<b>4,315</b>
% change	-85.6	-235.0	-206.2	308.3	79.7	7.1	12.6
Tax	122	-98	-14	730	1,174	1,040	1,171
Tax Rate (%)	34.0	20.2	-2.8	34.6	31.0	25.6	25.6
<b>Reported PAT</b>	<b>238</b>	<b>-388</b>	<b>531</b>	<b>1,380</b>	<b>2,618</b>	<b>3,023</b>	<b>3,403</b>
Adj*	155.8	12.1	-510.8	-84.6	93.7	0.0	0.0
<b>Adj PAT</b>	<b>394</b>	<b>-376</b>	<b>20</b>	<b>1,296</b>	<b>2,712</b>	<b>3,023</b>	<b>3,403</b>
% change	-80.7	-195.6	-105.4	-	109.3	11.5	12.6
No. of shares (cr)	294	294	294	294	294	294	294
<b>Adj EPS (Rs.)</b>	<b>1.3</b>	<b>-1.3</b>	<b>0.1</b>	<b>4.4</b>	<b>9.2</b>	<b>10.3</b>	<b>11.6</b>
% change	-81	-196	-105	-	109	11	13
DPS (Rs.)	3.6	0.6	1.0	2.6	4.9	4.1	4.1
CEPS (Rs.)	4	2	3	7	12	13	15

### CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>1,032</b>	<b>336</b>	<b>1,280</b>	<b>2,842</b>	<b>4,510</b>	<b>4,909</b>	<b>5,442</b>
Non-cash adj.	15	(94)	(25)	359	(111)	(98)	(110)
Changes in W.C	(931)	(201)	1,497	(249)	(166)	809	167
<b>C.F. Operation</b>	<b>(6)</b>	<b>139</b>	<b>2,766</b>	<b>2,223</b>	<b>3,058</b>	<b>4,580</b>	<b>4,328</b>
Capital exp.	(1,521)	(1,456)	(217)	(393)	(588)	(600)	(600)
Change in inv.	(83)	(375)	(1,725)	(1,844)	(1,100)	(1,700)	(1,700)
Other invest.CF	-	-	-	-	-	-	-
<b>C.F - Investment</b>	<b>(1,604)</b>	<b>(1,831)</b>	<b>(1,942)</b>	<b>(2,237)</b>	<b>(1,688)</b>	<b>(2,300)</b>	<b>(2,300)</b>
Issue of equity	-	-	-	1	-	-	-
Issue/repay debt	2,666	651	(209)	(327)	850	(1,650)	(600)
Dividends paid	(1,205)	-	(207)	(268)	(276)	(276)	(276)
Other finance.CF	-	-	-	-	-	-	-
<b>C.F - Finance</b>	<b>1,461</b>	<b>756</b>	<b>(416)</b>	<b>(595)</b>	<b>574</b>	<b>(1,926)</b>	<b>(876)</b>
Chg. in cash	(149)	(937)	408	(610)	1,945	354	1,152
Closing cash	1,472	535	944	334	2,279	2,633	3,786

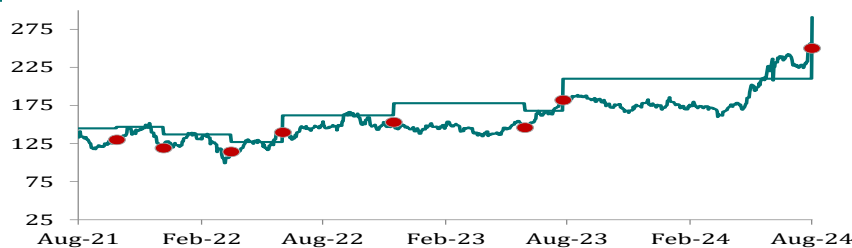
### BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,472	535	944	334	2,279	2,633	3,786
Accounts Receivable	1,180	2,816	3,111	4,159	4,730	4,702	5,130
Inventories	1,238	2,142	2,075	2,774	2,676	2,442	2,664
Other Cur. Assets	1,503	1,290	1,425	1,449	1,577	1,679	1,832
Investments	3,791	4,270	5,884	7,342	8,289	10,023	11,774
Gross Fixed Assets	8,349	10,028	10,358	10,805	11,485	12,105	12,725
Net Fixed Assets	5,443	5,599	5,274	4,985	4,974	4,781	4,570
CWIP	594	372	194	133	113	93	73
Intangible Assets	724	1,424	1,316	1,319	1,292	1,260	1,223
Def. Tax (Net)	(265)	(171)	(144)	(504)	(392)	(295)	(185)
Other Assets	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>15,681</b>	<b>18,279</b>	<b>20,142</b>	<b>22,065</b>	<b>25,538</b>	<b>27,318</b>	<b>30,866</b>
Current Liabilities	1,926	1,766	1,788	2,258	2,226	2,359	2,554
Provisions	806	655	670	1,039	1,261	1,344	1,466
Debt Funds	3,065	3,716	3,507	3,180	4,030	2,380	1,780
Other Liabilities	2,624	5,165	6,875	7,175	7,265	7,732	8,435
Equity Capital	294	294	294	294	294	294	294
Reserves & Surplus	6,968	6,684	7,008	8,120	10,462	13,210	16,337
Shareholder's Fund	7,261	6,977	7,302	8,414	10,756	13,503	16,630
<b>Total Liabilities</b>	<b>15,681</b>	<b>18,279</b>	<b>20,142</b>	<b>22,065</b>	<b>25,538</b>	<b>27,318</b>	<b>30,866</b>
<b>BVPS (Rs.)</b>	<b>40</b>	<b>37</b>	<b>40</b>	<b>48</b>	<b>66</b>	<b>86</b>	<b>110</b>

### RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>							
EBITDA margin (%)	6.7	3.5	4.6	8.1	12.0	12.0	12.0
EBIT margin (%)	2.9	-1.9	1.1	6.1	10.1	9.9	10.1
Net profit mgn.(%)	2.3	-2.5	0.1	3.6	7.1	7.4	7.6
ROE (%)	6.7	-7.3	0.4	16.5	28.3	24.9	22.6
ROCE (%)	2.7	-0.3	1.4	6.4	10.8	11.1	11.5
<b>W.C &amp; Liquidity</b>							
Receivables (days)	38.5	47.7	49.9	36.7	42.3	42.1	40.2
Inventory (days)	57.9	54.1	45.9	31.8	35.6	31.4	28.7
Payables (days)	75.2	59.1	38.7	26.5	29.3	28.2	27.7
Current ratio (x)	2.4	3.3	3.5	2.9	3.4	3.2	3.5
Quick ratio (x)	1.4	1.9	2.3	2.0	3.1	3.1	3.5
<b>Turnover &amp; Leverage</b>							
Gross asset T.O (x)	2.5	1.9	2.5	4.0	4.1	4.1	4.3
Total asset T.O (x)	1.0	0.9	1.1	1.7	1.6	1.5	1.5
Int. coverage ratio (x)	4.6	-0.9	0.8	7.6	15.6	15.8	26.9
Adj. debt/equity (x)	0.2	0.2	0.2	0.2	0.2	0.2	0.1
<b>Valuation</b>							
EV/Sales (x)	4.2	4.9	3.4	2.1	2.0	1.8	1.6
EV/EBITDA (x)	62.0	138.9	74.1	26.0	16.3	14.9	13.3
P/E (x)	186.3	-195.0	-	56.7	27.1	24.3	21.6
P/BV (x)	7.2	9.4	8.4	6.5	4.5	3.2	2.5

## Recommendation summary (Last 3 Years)



Dates	Rating	Target
29 June 2021	Buy	145
27 September 2021	Buy	147
06 December 2021	Buy	137
17 March 2022	Accumulate	127
02 Jun 2022	Buy	162
15 November 2022	Buy	176
30 May 2023	Buy	168
26 July 2023	Buy	210
02 August 2024	Buy	280

Source: Bloomberg, Geojit Research.

## Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral	-	-	-

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

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Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com). **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN -DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

