

India

August 14, 2025 - 11:14 PM

ADD (no change)

Consensus ratings*:	Buy 32 Hold 7 Sell 3
Current price:	Rs122
Target price:	Rs139
Previous target:	Rs139
Up/downside:	13.9%
InCred Research / Consensus:	7.3%
Reuters:	ASOK.NS
Bloomberg:	AL IN
Market cap:	US\$8,180m
	Rs716,278m
Average daily turnover:	US\$17.9m
	Rs1563.4m
Current shares o/s:	5,873.0m
Free float:	48.5%
*Source: Bloomberg	

Key financial forecast

	Mar-26F	Mar-27F	Mar-28F
Net Profit (Rsm)	36,973	44,742	50,804
Core EPS (Rs)	6.30	7.62	8.65
Core EPS Growth	15.6%	21.0%	13.5%
FD Core P/E	19.37	16.01	14.10
Recurring ROE	30.0%	31.6%	31.2%
P/BV (x)	5.44	4.73	4.11
DPS (Rs)	3.50	4.25	4.75
Dividend Yield	2.87%	3.48%	3.89%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	(3.6)	4.0	(1.0)
Relative (%)	(2.2)	6.2	(1.2)

Major shareholders	% held
Hinduja Family	51.5
SBI Mutual Fund	2.0
HDFC LIFE INSURANCE	1.4

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Ashok Leyland

EBITDA margin expansion prevails in 1Q

- 1QFY26 EBITDA grew by 6% yoy driven by margin expansion (50bp yoy), which was just 2% below estimate. EPS rose by 13% yoy to Re1.
- Management expects truck demand recovery from 2QFY26F. We build in a 13% EBITDA growth for the remaining nine-month period of FY26F.
- With EV/EBITDA and P/E valuations below the 10-year mean level, we maintain ADD on the stock.

Focus on profitability over market share

- Ashok Leyland's 1QFY26 EBITDA rose by 6% yoy but fell 46% qoq to Rs9.7bn, which was a 2% miss vs. our estimate/Bloomberg (BB) consensus estimate.
- Improvement in the gross margin (flat qoq & +152bp yoy) was driven by a better product mix, pricing action and the cost-saving approach.
- The dip in interest costs & higher other income qoq led to a 13% yoy rise in PAT to Rs5.9bn; however, it missed our estimate (-7%) and BB consensus estimate (-2%).
- The cash level stood at Rs.8bn vs. Rs12bn debt in 1QFY25.

Management conference-call highlights

- Management expects the domestic MHCV volume to grow at a mid-single digit rate in FY26F, with domestic LCV volume likely to grow slightly higher, supported by a stronger 2HFY26F driven by new product launches, increased capex, healthy freight rates, and potential easing in steel costs.
- MHCV market share increased from 29.8% in 1QFY25 to 32.1% in 1QFY26, while LCV share expanded by 120bp yoy to 12.9%. The non-CV business revenue grew by 8% yoy, power solutions revenue rose by 29% yoy, and the defence equipment order book stood at Rs10bn, with Rs20bn worth of tenders won.
- The Andhra Pradesh plant is getting ramped up to produce 200 vehicles per month by FY26F-end, the Lucknow bus plant is scheduled to become operational in 3QFY26F, and capacity enhancement is in progress at Alwar and Trichy bus facilities.
- Switch India achieved PBT breakeven in 1Q, with an order book exceeding 1,500 buses, while OHM (Ohm Global Mobility) currently operates over 850 buses and is targeting more than 2,500 within the next 12 months at a double-digit internal rate of return or IRR.

EBITDA growth ask rate at 13% for the rest of FY26F

- For the remaining nine-month period of FY26F, we expect a 16% growth in EPS driven by a 13% rise in EBITDA. The risk to our 9M volume growth estimate of 13%, we believe, can be overcome by a conservative EBITDA margin assumption of 12.8% (-50bp yoy).
- The stock trades below the 10-year mean level on EV/EBITDA and P/E, which, we feel, is attractive for a high RoCE, net-cash business. We maintain ADD rating, as Ashok Leyland, with a rising market share, is better placed to benefit from the truck demand recovery expected in 2HFY26F.

Figure 1: Results comparison

Y/E Mar (Rs m)	1QFY26	1QFY25	yoy % chg	4QFY25	qoq % chg	Comments
Revenue	87,245	85,985	1.5	1,19,067	(26.7)	1% below our estimate.
Operating costs	61,628	62,046	(0.7)	84,028	(26.7)	
RM costs as a % of revenue	70.6	72.2	(152)	71	7	86bp below our estimate.
EBITDA	9,695.5	9,108.7	6	17,910	(46)	2% below our estimate.
EBITDA margin (%)	11.1	10.6	52.0	15.0	(393)	9bp below our estimate.
Depreciation & amortization	1,828	1,727	5.8	1,789	2.2	
EBIT	7,867	7,382	6.6	16,121	(51.2)	
Interest expenses	419	591	(29.1)	471	(11.2)	40% above our estimate.
Other income	529	223	136.6	1,059	(50.1)	19% below our estimate.
Pre-tax profit	7,977	7,014	13.7	16,709	(52.3)	
Tax	2,040	1,759	16.0	4,114	(50.4)	
Tax rate (%)	25.6	25.1	50.1	24.6	95	57bp above our estimate.
Normalized net profit	5,937	5,256	13.0	12,595	(53)	7% below our estimate.
Extraordinary income/expenses	-	-	-	(137)	(100.0)	-
Reported net profit	5,937	5,256	13.0	12,459	(52.3)	
Normalized EPS (Rs)	1.0	1.8	(43.5)	4.3	(76.4)	
Volumes (nos)	44,238	43,893	(43.5)	59,176	(76.2)	
Net realization (Rs)	19,72,176	19,58,975	0.8	20,12,084	(2.0)	1% below our estimate.
EBITDA/vehicle	2,19,167	2,07,521	0.7	3,02,650	(27.6)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

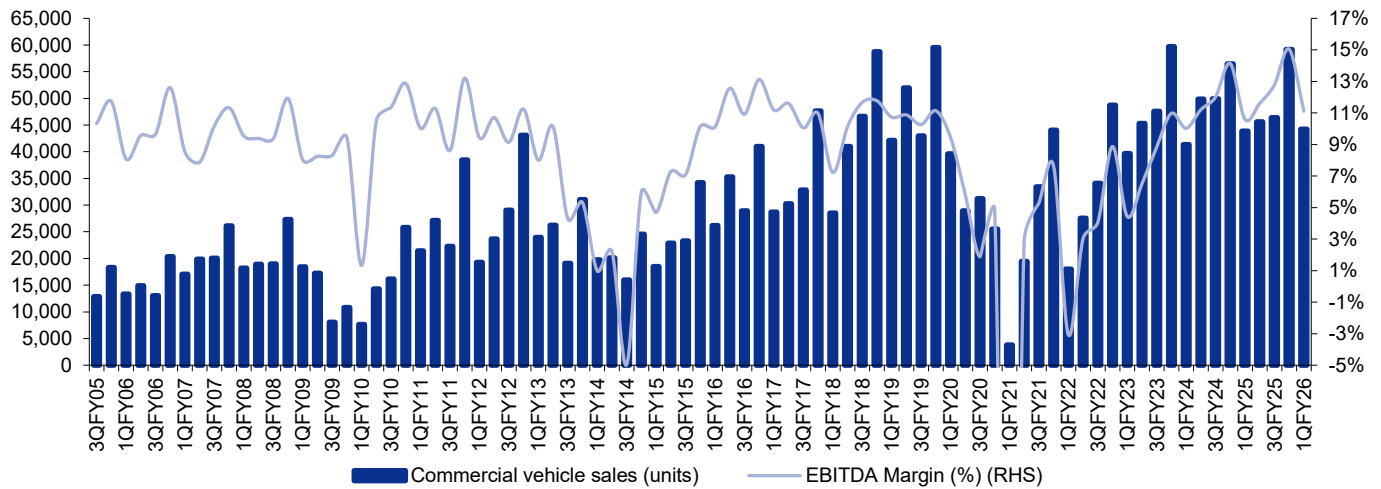
EBITDA margin expansion prevails in 1Q

Figure 2: Ashok Leyland's total sales volume break-up

Segment (Domestic)	1QFY26	1QFY25	yoy %	4QFY25	qoq %
Passenger Carrier M&HCVs	5,726	5,612	2%	6,967	-17.8%
Goods Carrier M&HCVs	19,935	20,602	-3%	29,089	-31.5%
Passenger Carrier LCVs	342	415	-18%	456	-25.0%
Goods Carrier LCVs	15,224	14,930	2%	17,204	-11.5%
Total Exports	3,011	2,334	29%	5,460	-44.9%
Total Sales volume	44,238	43,893	1%	59,176	-25.2%

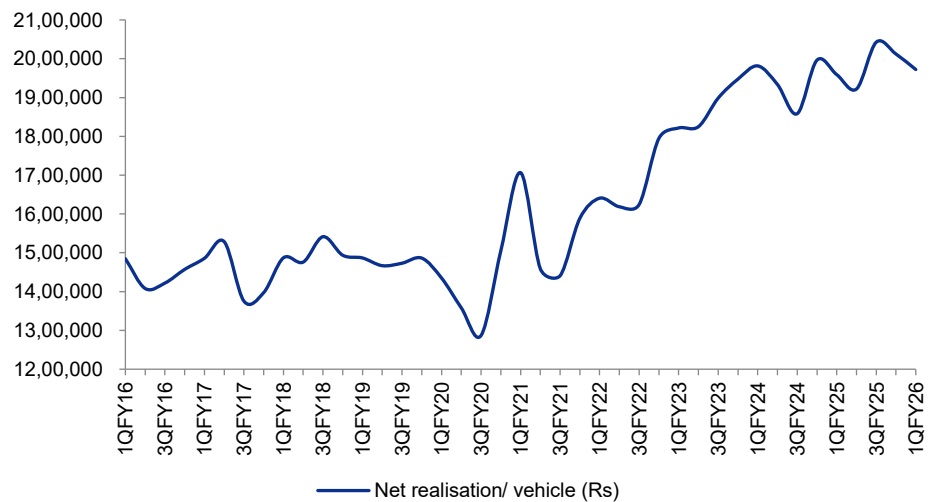
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Seasonal decline in the EBITDA margin; however, it is slightly up on a yoy basis



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: ASP is on a sustained uptrend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

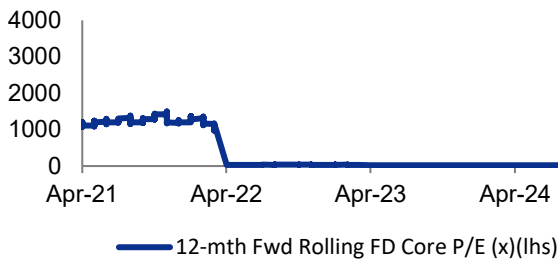
Profit & Loss

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	387,527	442,082	505,758	558,584
Gross Profit	111,300	124,540	145,764	160,736
Operating EBITDA	49,306	55,096	65,606	73,807
Depreciation And Amortisation	(7,193)	(7,366)	(8,023)	(8,653)
Operating EBIT	42,112	47,730	57,583	65,154
Financial Income/(Expense)	(2,169)	(1,136)	(927)	(746)
Pretax Income/(Loss) from Assoc.				
Non-Operating Income/(Expense)	2,503	2,703	3,000	3,330
Profit Before Tax (pre-EI)	42,446	49,297	59,656	67,738
Exceptional Items				
Pre-tax Profit	42,446	49,297	59,656	67,738
Taxation	(10,450)	(12,324)	(14,914)	(16,935)
Exceptional Income - post-tax	1,037			
Profit After Tax	33,033	36,973	44,742	50,804
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	33,033	36,973	44,742	50,804
Recurring Net Profit	31,996	36,973	44,742	50,804
Fully Diluted Recurring Net Profit	31,996	36,973	44,742	50,804

Cash Flow

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	49,306	55,096	65,606	73,807
Cash Flow from Invt. & Assoc.				
Change In Working Capital	19,355	(2,689)	359	(1,758)
(Incr)/Decr in Total Provisions	(884)	(3,488)	1,550	(1,000)
Other Non-Cash (Income)/Expense	(84)			(4)
Other Operating Cashflow	1,037			
Net Interest (Paid)/Received	333	1,567	2,073	2,584
Tax Paid	(14,974)	(15,775)	(19,090)	(21,676)
Cashflow From Operations	54,089	34,711	50,498	51,953
Capex	(7,937)	(16,366)	(18,023)	(18,653)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(14,204)	(8,486)	(1,824)	(1,258)
Cash Flow From Investing	(22,141)	(24,851)	(19,847)	(19,912)
Debt Raised/(repaid)	(20,917)	(1,000)	(2,000)	(2,000)
Proceeds From Issue Of Shares		2,937		
Shares Repurchased				
Dividends Paid	(18,353)	(20,556)	(24,960)	(27,897)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(39,270)	(18,619)	(26,960)	(29,897)
Total Cash Generated	(7,322)	(8,760)	3,690	2,144
Free Cashflow To Equity	11,031	8,859	28,651	30,041
Free Cashflow To Firm	34,117	10,996	31,577	32,787

12-mth Fwd Rolling FD Core P/E (x)



Balance Sheet

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	27,060	18,300	21,990	24,135
Total Debtors	28,673	36,335	44,340	53,563
Inventories	29,573	36,335	44,340	50,502
Total Other Current Assets	20,084	21,084	22,084	23,084
Total Current Assets	105,389	112,054	132,755	151,283
Fixed Assets	62,937	71,937	81,937	91,937
Total Investments	86,730	95,730	101,730	107,730
Intangible Assets				
Total Other Non-Current Assets				
Total Non-current Assets	149,667	167,667	183,667	199,667
Short-term Debt				
Current Portion of Long-Term Debt				
Total Creditors	73,047	84,783	101,152	114,778
Other Current Liabilities	31,647	30,000	31,500	31,500
Total Current Liabilities	104,694	114,783	132,652	146,278
Total Long-term Debt	14,354	13,354	11,354	9,354
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities				
Total Non-current Liabilities	14,354	13,354	11,354	9,354
Total Provisions	20,820	19,979	21,028	21,024
Total Liabilities	139,868	148,116	165,035	176,656
Shareholders Equity	115,188	131,605	151,387	174,293
Minority Interests				
Total Equity	115,188	131,605	151,387	174,293

Key Ratios

	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	1.0%	14.1%	14.4%	10.4%
Operating EBITDA Growth	7.0%	11.7%	19.1%	12.5%
Operating EBITDA Margin	12.7%	12.5%	13.0%	13.2%
Net Cash Per Share (Rs)	2.16	0.84	1.81	2.52
BVPS (Rs)	19.61	22.41	25.78	29.68
Gross Interest Cover	19.41	42.01	62.15	87.39
Effective Tax Rate	24.6%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	57.4%	55.6%	55.8%	54.9%
Accounts Receivables Days	30.32	26.84	29.11	31.99
Inventory Days	40.62	37.88	40.90	43.51
Accounts Payables Days	89.92	90.71	94.26	99.05
ROIC (%)	53.5%	87.4%	75.8%	72.7%
ROCE (%)	31.9%	33.4%	36.1%	36.5%
Return On Average Assets	13.6%	14.1%	15.2%	15.4%

Key Drivers

	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	0.7%	3.1%	0.4%	1.0%
Unit sales grth (% , main prod./serv.)	0.3%	10.6%	13.9%	9.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.