

Ashok Leyland | BUY

Margin beats estimate; Exports / defence to aid growth

In 4QFY25, Ashok Leyland (AL) reported EBITDA margin of 15%, 70bps above JMFe, primarily driven by lower than expected RM costs. AL expects domestic MHCV industry to grow in single-digit in FY26, led by increased govt. capex and growth in core sectors. Despite modest MHCV growth, we expect strong export momentum and a healthy defence order book to drive overall growth. Revenue contribution from non-MHCV segments has reached ~50%. Medium-term demand drivers (higher infra spends, scrappage policy, etc.) remain intact and the company aims for higher share in MHCV (35%) and LCV (25%) led by network expansion and new product launches. Profitability is expected to be supported by rising share of high-margin defence / export segments, along with continued cost control initiatives, though safeguard duties on steel are likely to exert some pressure on margins in the near term. We estimate 8% / 11% revenue / EPS CAGR over FY25-27E. Maintain BUY with Mar'27 TP of INR 264 (20x FY27E EPS). Increase in competitive intensity - a key risk.

- **4QFY25 – Revenue below estimate / Margin beats estimate:** In 4QFY25, AL reported net sales of INR 119.1bn (+6% YoY, +26% QoQ), 4% below JMFe. Blended realisations remained flat YoY (-2% QoQ). Total volume grew c.5% YoY (+28% QoQ). EBITDA margin stood at 15% (+90bps YoY; +230bps QoQ), 70bps above JMFe. Margin beat was primarily led by lower than expected RM costs. EBITDA stood at INR 17.9bn (+13% YoY, +48% QoQ), broadly in line with JMFe. Adj. PAT was at INR 12.6bn (+30% YoY; +65% QoQ), 8% above JMFe led by higher than expected other income.
- **Demand outlook:** AL highlighted that MHCV industry vol. grew 4% YoY during 4Q. With increased govt. capex, stable freight rates / fleet utilisation, and growth in mining and construction sectors, the company expects single-digit growth in the MHCV segment in FY26, with a substantial growth expected in 2QFY26. Higher truck fleet age (~10yrs vs. ~7yrs historically) is also expected to drive replacement demand. AL maintains its target of achieving a 35% market share in the domestic MHCV segment (vs. 30.9% in FY25). In the LCV segment, its market share stood at 18.6% in FY25 (vs. 19.3% in FY24). However, with continued product innovation and new launches, the company aims to increase its market share to 20% / 25% in short / medium term. The company also expects strong momentum in export business to continue (vol. grew by c.52% YoY in 4Q). The order book for defence business remains healthy for FY26, with AL targeting to double revenues from this business over the next 2-3 years.
- **Profitability outlook:** During 4Q, EBITDA improved 90bps YoY to 15%, led by lower RM costs. AL expects commodity headwinds from safeguard duties on steel (expected to normalise in 3QFY26) and emerging global tariff dynamics. A 0.5%-2% impact on price is likely due to implementation of AC norms. However, astute cost controls and higher contribution from exports / defence are expected to support margins going ahead.
- **Update on EV business: Switch Mobility** - The company closed FY25 with an order book of 1,800 buses and turned EBITDA positive during this year (12% / 6% EBITDA margin in 4Q / FY25). Further, it is expected to achieve PAT breakeven in FY26. **AL's EV business** - AL's e-MaaS subsidiary OHM is currently operating at 650+ busses with over 98% fleet availability. An additional 1,700 buses are planned to be added to the fleet in FY26.



Saksham Kaushal

saksham.kaushal@jmfml.com | Tel: (91 22) 66303019

Sahil Malik

sahil.malik@jmfml.com | Tel: (91 22) 66301652

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	264
Upside/(Downside)	10.2%
Previous Price Target	250
Change	5%

Key Data – AL IN

Current Market Price	INR240
Market cap (bn)	INR703.6/US\$8.3
Free Float	59%
Shares in issue (mn)	2,845.9
Diluted share (mn)	2,936.5
3-mon avg daily val (mn)	INR1,676.9/US\$19.7
52-week range	265/190
Sensex/Nifty	81,721/24,853
INR/US\$	85.2

Price Performance

%	1M	6M	12M
Absolute	3.9	7.0	13.7
Relative*	0.7	4.7	4.9

* To the BSE Sensex

Financial Summary

Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Sales	3,61,441	3,83,670	3,87,527	4,15,127	4,49,030
Sales Growth	66.7%	6.2%	1.0%	7.1%	8.2%
EBITDA	29,307	46,066	49,306	52,807	58,930
EBITDA Margin	8.1%	12.0%	12.7%	12.7%	13.1%
Adjusted Net Profit	12,955	27,116	31,996	34,485	39,053
Diluted EPS (INR)	4.4	9.2	10.9	11.7	13.3
Diluted EPS Growth	4,073.0%	109.3%	18.0%	7.8%	13.2%
ROIC	29.6%	82.3%	170.1%	133.2%	113.3%
ROE	16.4%	31.5%	31.5%	27.6%	26.5%
P/E (x)	54.4	26.0	22.0	20.4	18.0
P/B (x)	8.4	8.0	6.1	5.2	4.4
EV/EBITDA (x)	24.2	14.6	13.6	12.9	11.3
Dividend Yield	0.4%	1.1%	2.6%	2.1%	2.1%

Source: Company data, JM Financial. Note: Valuations as of 23/May/2025

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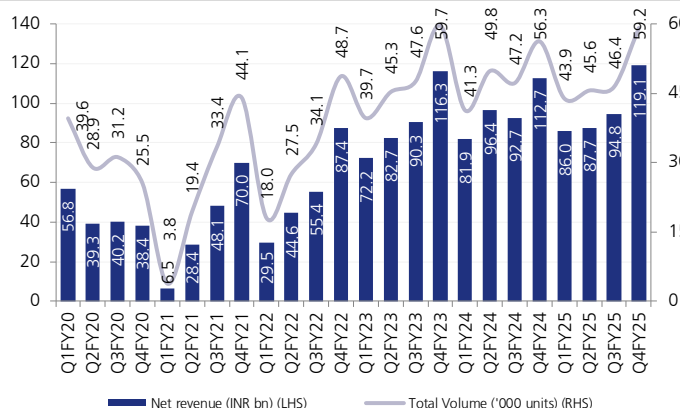
- **Other highlights:** 1) HLFL performed well; Current AUM for HLF / HHF stands at INR 617bn / 140bn. AL highlighted that a few approvals for HLFL reverse merger are pending, with completion expected in another few quarters. 2) Capex guidance for FY26 stands at INR 10bn (FY25: INR 9.54bn). 3) Net cash balance is INR 42.4bn at FY25 end (vs. net cash of INR 9.6bn at 3QFY25 end). 4) Spares revenue grew by 15% / 14% YoY in 4Q / FY25.

Exhibit 1. Standalone quarterly performance

AL (INR mn)	Q4FY25	Q4FY24	% YoY	Q3FY25	% QoQ	Q4FY25E	% A/E
MHCV (Units)	39,908	37,149	7.4	30,058	32.8	39,908	0.0
LCV (Units)	19,268	19,120	0.8	16,346	17.9	19,268	0.0
Total Volumes (Units)	59,176	56,269	5.2	46,404	27.5	59,176	0.0
Average Realisation (Net, INR)	2,012,084	2,002,291	0.5	2,042,641	-1.5	2,096,277	-4.0
Sales	119,067	112,667	5.7	94,787	25.6	124,049	-4.0
RM	84,028	80,906	3.9	67,743	24.0	88,819	-5.4
As a % of sales	70.6	71.8	-120bps	71.5	-90bps	71.6	-100bps
Employee Exp	6,515	5,535	17.7	6,064	7	6,202	5.0
As a % of sales	5.5	4.9	60bps	6.4	-90bps	5.0	50bps
Other Costs	10,614	10,305	3.0	8,866	19.7	11,288	-6.0
As a % of sales	8.9	9.1	-20bps	9.4	-40bps	9.1	-20bps
Expenditure	101,158	96,746	4.6	82,672	22.4	106,310	-4.8
EBITDA	17,910	15,921	12.5	12,114	47.8	17,739	1.0
EBITDA Margin	15.0	14.1	90bps	12.8	230bps	14.3	70bps
Other Income	1,059	1,179	-10.2	247	328.7	500	111.9
Interest	471	592	-20.4	501	-5.9	501	-5.9
Depreciation	1,789	1,797	-0.5	1,923	-7.0	1,950	-8.3
PBT	16,709	14,711	13.6	9,938	68.1	15,788	5.8
Tax	4,114	5,010	-17.9	2,320	77.3	4,105	0.2
Tax rate (%)	24.6	34.1		23.3		26.0	
PAT (Adjusted)	12,595	9,701	29.8	7,617	65.3	11,683	7.8
PAT Margin (Adjusted)	10.6	8.6	200bps	8.0	250bps	9.4	120bps
EPS (INR)	4.3	3.3	29.8	2.6	65.3	4.0	7.8

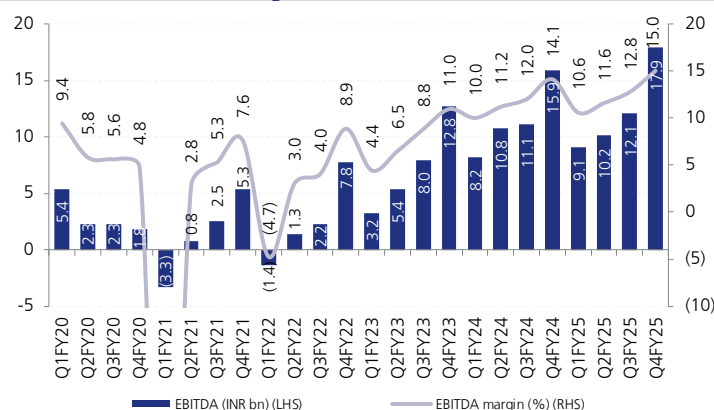
Source: Company, JM Financial

Exhibit 2. Revenue and volume trend



Source: Company, JM Financial

Exhibit 3. EBITDA and Margin trend



Source: Company, JM Financial; Note: 1QFY21 margin at -51%

Exhibit 4. AL - change in assumptions (standalone)

Ashok Leyland	New assumption			Old assumption			% Change		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	387,527	415,127	449,030	394,878	430,920	457,351	-1.9%	-3.7%	-1.8%
MHCV vols (nos.)	126,027	132,365	140,672	125,066	134,030	139,151	0.8%	-1.2%	1.1%
Growth (%)	0.9%	5.0%	6.3%	0.1%	7.2%	3.8%			
LCV volume (nos.)	69,066	72,519	75,783	70,149	73,656	76,971	-1.5%	-1.5%	-1.5%
Growth (%)	-1.1%	5.0%	5.0%	0.5%	5.0%	5.0%			
EBITDA (INR mn)	49,306	52,807	58,930	46,585	53,955	58,631	5.8%	-2.1%	0.5%
EBITDA margin (%)	12.7%	12.7%	13.1%	11.8%	12.5%	12.8%	90bps	20bps	30bps
PAT (INR mn)	31,996	34,485	39,053	29,237	34,899	38,423	9.4%	-1.2%	1.6%
EPS (INR)	10.9	11.7	13.3	10.0	11.9	13.1	9.4%	-1.2%	1.6%

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	FY23A	FY24A	FY25A	FY26E	FY27E
Net Sales	3,61,441	3,83,670	3,87,527	4,15,127	4,49,030
Sales Growth	66.7%	6.2%	1.0%	7.1%	8.2%
Other Operating Income	0	0	0	0	0
Total Revenue	3,61,441	3,83,670	3,87,527	4,15,127	4,49,030
Cost of Goods Sold/Op. Exp	2,78,492	2,79,120	2,76,228	2,95,791	3,19,061
Personnel Cost	21,139	22,334	24,063	26,262	28,381
Other Expenses	32,504	36,151	37,931	40,267	42,658
EBITDA	29,307	46,066	49,306	52,807	58,930
EBITDA Margin	8.1%	12.0%	12.7%	12.7%	13.1%
EBITDA Growth	194.7%	57.2%	7.0%	7.1%	11.6%
Depn. & Amort.	7,320	7,178	7,193	7,690	8,119
EBIT	21,987	38,888	42,112	45,117	50,812
Other Income	1,161	2,466	2,503	2,628	2,890
Finance Cost	2,891	2,494	2,169	1,457	1,282
PBT before Excep. & Forex	20,258	38,859	42,446	46,288	52,420
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	20,258	38,859	42,446	46,288	52,420
Taxes	7,303	11,743	10,450	11,803	13,367
Extraordinary Inc./Loss(-)	846	-937	1,037	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	13,801	26,179	33,033	34,485	39,053
Adjusted Net Profit	12,955	27,116	31,996	34,485	39,053
Net Margin	3.6%	7.1%	8.3%	8.3%	8.7%
Diluted Share Cap. (mn)	2,936.1	2,936.3	2,936.5	2,936.5	2,936.5
Diluted EPS (INR)	4.4	9.2	10.9	11.7	13.3
Diluted EPS Growth	4,073.0%	109.3%	18.0%	7.8%	13.2%
Total Dividend + Tax	2,936	7,634	18,353	14,683	14,683
Dividend Per Share (INR)	1.0	2.6	6.3	5.0	5.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profit before Tax	20,258	38,859	42,446	46,288	52,420
Depn. & Amort.	7,320	7,178	7,193	7,690	8,119
Net Interest Exp. / Inc. (-)	2,891	2,494	2,169	1,457	1,282
Inc (-) / Dec in WCap.	-1,792	20,378	6,156	-16,498	2,867
Others	0	0	0	0	0
Taxes Paid	-7,303	-11,743	-10,450	-11,803	-13,367
Operating Cash Flow	21,374	57,166	47,514	27,133	51,320
Capex	-3,735	-4,345	-8,363	-9,248	-9,248
Free Cash Flow	17,639	52,821	39,151	17,886	42,073
Inc (-) / Dec in Investments	-18,440	11,038	-31,132	-12,500	-12,500
Others	-2,891	-2,494	-2,169	-1,457	-1,282
Investing Cash Flow	-25,065	4,199	-41,664	-23,204	-23,029
Inc / Dec (-) in Capital	1	0	0	0	0
Dividend + Tax thereon	-2,936	-7,634	-18,353	-14,683	-14,683
Inc / Dec (-) in Loans	-3,291	-9,254	-8,177	-3,500	0
Others	4,461	-15,108	13,357	0	0
Financing Cash Flow	-1,765	-31,996	-13,172	-18,183	-14,683
Inc / Dec (-) in Cash	-5,457	29,369	-7,322	-14,254	13,609
Opening Cash Balance	10,470	5,013	34,382	27,060	12,806
Closing Cash Balance	5,013	34,382	27,060	12,806	26,415

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Shareholders' Fund	84,258	88,104	1,15,188	1,34,990	1,59,361
Share Capital	2,936	2,936	2,937	2,937	2,937
Reserves & Surplus	81,322	85,167	1,12,251	1,32,053	1,56,424
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	32,248	22,994	14,817	11,317	11,317
Def. Tax Liab. / Assets (-)	5,035	5,563	5,479	5,479	5,479
Total - Equity & Liab.	1,21,541	1,16,661	1,35,484	1,51,786	1,76,157
Net Fixed Assets	64,367	61,533	62,703	64,260	65,389
Gross Fixed Assets	1,11,652	1,15,307	1,21,437	1,30,685	1,39,932
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	48,611	55,789	62,982	70,672	78,790
Capital WIP	1,325	2,015	4,248	4,248	4,248
Investments	66,636	55,598	86,730	99,230	1,11,730
Current Assets	94,914	1,18,987	1,05,826	1,08,272	1,29,211
Inventories	27,745	31,907	29,573	34,120	36,907
Sundry Debtors	40,627	35,699	28,873	39,807	43,058
Cash & Bank Balances	5,013	34,382	27,060	12,806	26,415
Loans & Advances	21,529	16,999	20,320	21,540	22,832
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	1,04,375	1,19,457	1,19,774	1,19,976	1,30,173
Current Liabilities	71,751	63,052	73,047	68,883	74,302
Provisions & Others	32,624	56,405	46,727	51,093	55,871
Net Current Assets	-9,461	-470	-13,948	-11,704	-962
Total - Assets	1,21,541	1,16,661	1,35,484	1,51,786	1,76,157

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net Margin	3.6%	7.1%	8.3%	8.3%	8.7%
Asset Turnover (x)	3.2	3.4	3.2	3.0	2.8
Leverage Factor (x)	1.4	1.3	1.2	1.1	1.1
RoE	16.4%	31.5%	31.5%	27.6%	26.5%

Key Ratios					
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
BV/Share (INR)	28.7	30.0	39.2	46.0	54.3
ROIC	29.6%	82.3%	170.1%	133.2%	113.3%
ROE	16.4%	31.5%	31.5%	27.6%	26.5%
Net Debt/Equity (x)	0.3	-0.1	-0.1	0.0	-0.1
P/E (x)	54.4	26.0	22.0	20.4	18.0
P/B (x)	8.4	8.0	6.1	5.2	4.4
EV/EBITDA (x)	24.2	14.6	13.6	12.9	11.3
EV/Sales (x)	2.0	1.8	1.7	1.6	1.5
Debtor days	41	34	27	35	35
Inventory days	28	30	28	30	30
Creditor days	79	68	79	69	70

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-Dec-20	Buy	120	
12-Feb-21	Buy	150	25.0
25-Jun-21	Buy	150	0.0
13-Aug-21	Buy	150	0.0
15-Nov-21	Buy	160	6.7
14-Feb-22	Buy	150	-6.3
22-May-22	Buy	170	13.3
1-Aug-22	Buy	177	4.1
13-Nov-22	Buy	190	7.3
2-Feb-23	Buy	200	5.3
25-May-23	Buy	180	-10.0
15-Jun-23	Buy	180	0.0
24-Jul-23	Buy	200	11.1
12-Nov-23	Buy	200	0.0
6-Feb-24	Buy	200	0.0
26-May-24	Buy	275	37.5
28-Jul-24	Buy	275	0.0
10-Nov-24	Buy	275	0.0
27-Jan-25	Buy	235	-14.5
12-Feb-25	Buy	250	6.4

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.comCompliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.comGrievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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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.
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* REITs refers to Real Estate Investment Trusts.

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