

India

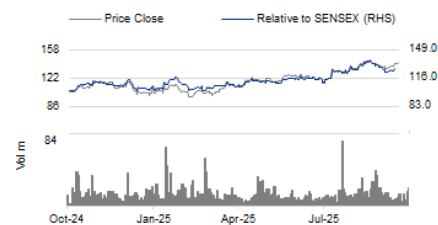
November 12, 2025 - 10:09 PM

ADD (no change)

Consensus ratings*:	Buy 31 Hold 9 Sell 4
Current price:	Rs143
Target price:	Rs157
Previous target:	Rs157
Up/downside:	9.8%
InCred Research / Consensus:	6.8%
Reuters:	ASOK.NS
Bloomberg:	AL IN
Market cap:	US\$9,445m
	Rs837,201m
Average daily turnover:	US\$20.7m
	Rs1835.2m
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)	37,736	47,879	53,146
Core EPS (Rs)	6.43	8.15	9.05
Core EPS Growth	17.9%	26.9%	11.0%
FD Core P/E	22.18	17.48	15.75
Recurring ROE	30.6%	33.6%	32.2%
P/BV (x)	6.36	5.47	4.73
DPS (Rs)	3.63	4.50	5.00
Dividend Yield	2.54%	3.16%	3.51%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	3.6	19.4	28.9
Relative (%)	1.2	13.4	20.1

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

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Ashok Leyland

Optimistic outlook

- 2QFY26 EBITDA grew by 14% yoy led by margin expansion (52bp yoy), which was 5% above our estimate. EPS rose by 17% yoy to Rs1.29.
- Management expects truck sales growth to improve in 2HFY26F. Our current estimate builds in 16% yoy EBITDA growth for 2HFY26F vs. 11% yoy in 1H.
- With EV/EBITDA and P/E valuations below the 10-year mean level, we retain ADD rating on the stock as early signs of truck demand turnaround are seen.

Impressive EBITDA margin expansion

- Ashok Leyland's 2QFY26 EBITDA rose by 14% yoy and 20% qoq to Rs11.6bn, which was a 5% beat vs. our estimate and 3% vs. Bloomberg (BB) consensus estimate.
- Improvement in EBITDA margin (+52bp yoy and +101bp qoq) was led by non-commercial vehicle business (~50% of total revenue) mix improvement and lower other expenses (-3% qoq). The EBITDA margin beat was 62bp.
- Flat interest costs & higher other income (adjusted for Rs500m one-time investment revaluation gain) qoq led to a 28% yoy rise in PAT to Rs7.6bn, beating our estimate (+5%) & BB consensus estimate (+4%). The net cash level improved by 25% qoq to Rs10bn.

Management conference-call highlights

- Management remains optimistic about 2HFY26F growth driven by Goods and Services Tax (GST) rate cut and improving sentiment in both medium and heavy commercial vehicle (MHCV) and light commercial vehicle (LCV) segments. LCV capacity to be increased from 80k to 120k units per annum in nine months via efficiency upgrade as, post-GST, the segment has started recording mid-teen growth.
- Ashok Leyland remains focused on profitable growth, with a target of achieving mid-teen EBITDA margin in the medium term.
- Domestic MHCV market share at 31% (up 50bp yoy) and LCV Vahan market share improved to 13.2% (up 90bp yoy), while exports grew by 38% yoy in 1HFY26 driven by strong traction in GCC, Africa, and SAARC markets.
- Non-CV portfolio, contributing ~50% to total business, is a high-margin segment driving profitability and ensuring balanced growth.
- Switch India achieved EBITDA and PAT positivity, and it plans FCF positivity by FY27F. A new nine-metre electric bus is set for launch in the coming months to improve volume.
- Capex stood at Rs6.6bn in 1H; no new investment in subsidiaries. FY26F capex expected at Rs10bn, with investment requirements of subsidiaries capped at Rs5bn.

CV cycle turnaround play; maintain ADD rating

- We feel the turnaround in truck transporters' profitability and load availability to drive the two-year CV demand uptrend, where Ashok Leyland is better placed to win. With one-year forward EV/EBITDA and P/BV valuations below the 10-year mean level, we maintain ADD rating on the stock.

Figure 1: Results comparison

Y/E Mar (Rs m)	2QFY26	2QFY25	yoy % chg	1QFY26	qoq % chg	Comments
Revenue	95,882	87,688	9.3	87,245	9.9	In line with our estimate.
Operating costs	68,237	62,410	9.3	61,628	10.7	
RM costs as a % of revenue	71.2	71.2	(1)	71	53	33bp below our estimate.
EBITDA	11,621.6	10,173.0	14	9,696	20	5% above our estimate.
EBITDA margin (%)	12.1	11.6	51.9	11.1	101	62bp above our estimate.
Depreciation & amortisation	1,723	1,754	(1.8)	1,828	(5.7)	
EBIT	9,899	8,419	17.6	7,867	25.8	
Interest expenses	420	607	(30.8)	419	0.3	40% above our estimate.
Other income	1,342	973	37.9	529	153.9	92% above our estimate.
Pre-tax profit	10,821	8,785	23.2	7,977	35.6	
Tax	2,716	2,257	20.3	2,040	33.1	
Tax rate (%)	25.1	25.7	(59.6)	25.6	(47)	10bp above our estimate.
Normalised net profit	8,105	6,527	24.2	5,937	37	12% above our estimate.
Extraordinary income/expenses	(400)	1,174	(134.1)	-	-	
Reported net profit	7,705	7,701	0.0	5,937	29.8	
Normalised EPS (Rs)	1.4	1.1	24.2	1.0	36.5	
Volume (nos)	49,116	45,624	0.0	44,238	29.8	
Net realisation (Rs)	19,52,150	19,21,977	7.7	19,72,176	(1.0)	In line with our estimate.
EBITDA/vehicle	2,36,615	2,22,975	1.6	2,19,167	8.0	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

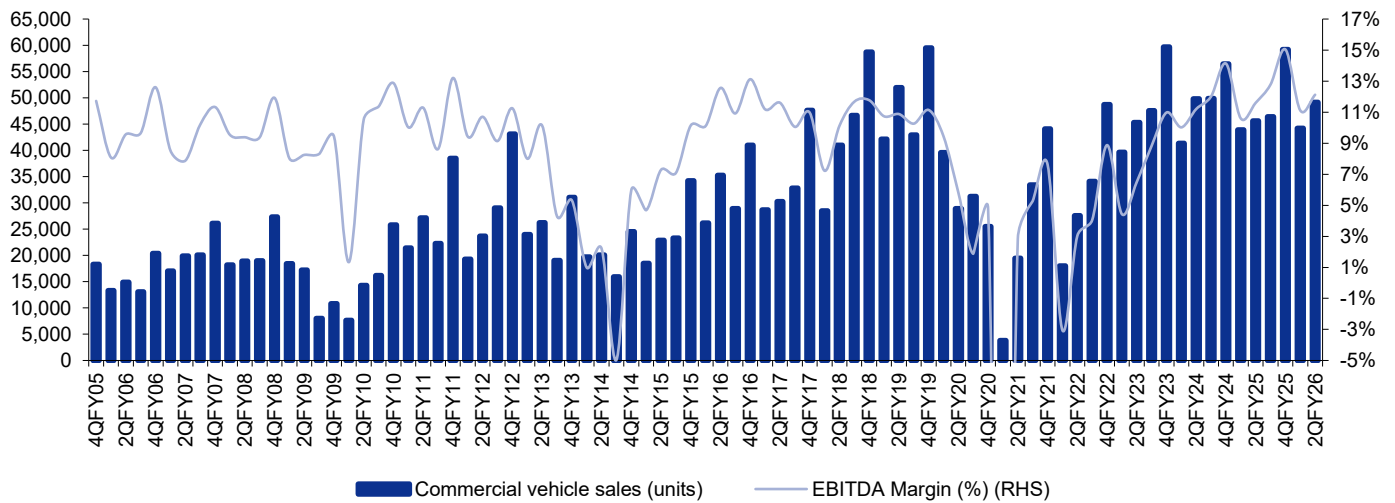
Optimistic outlook

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

Segment (Domestic)	2QFY26	2QFY25	yoy %	1QFY26	qoq %	1HFY25	1HFY26	yoy %
Passenger Carrier M&HCVs	4,739	4,632	2%	5,726	-17.2%	10,244	10,465	2.2%
Goods Carrier M&HCVs	21,896	21,053	4%	19,935	9.8%	41,655	41,831	0.4%
Passenger Carrier LCVs	146	195	-25%	342	-57.3%	610	488	-20.0%
Goods Carrier LCVs	17,551	16,434	7%	15,224	15.3%	31,364	32,775	4.5%
Total Exports	4,784	3,310	45%	3,011	58.9%	5,644	7,795	38.1%
Total Sales volume	49,116	45,624	8%	44,238	11.0%	89,517	93,354	4.3%

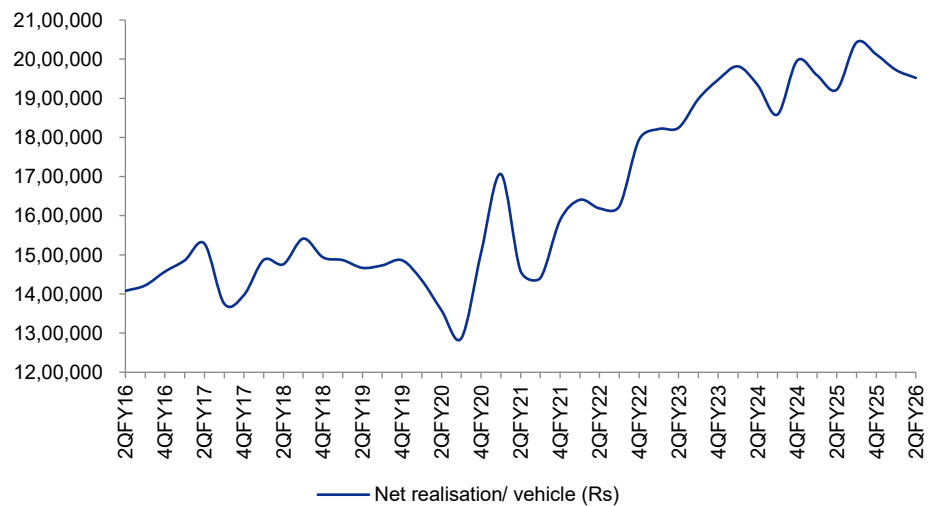
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Ashok Leyland's total sales and margin performance



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: ASP witnesses a sequential decline



SOURCE: INCRED RESEARCH, COMPANY REPORTS

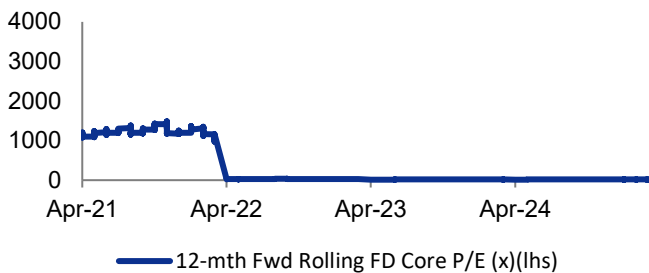
Profit & Loss

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	387,527	449,125	530,453	583,193
Gross Profit	111,300	126,060	152,516	168,238
Operating EBITDA	49,306	56,114	69,788	76,930
Depreciation And Amortisation	(7,193)	(7,366)	(8,023)	(8,653)
Operating EBIT	42,112	48,748	61,765	68,277
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	50,315	63,838	70,861
Exceptional Items				
Pre-tax Profit	42,446	50,315	63,838	70,861
Taxation	(10,450)	(12,579)	(15,960)	(17,715)
Exceptional Income - post-tax	1,037			
Profit After Tax	33,033	37,736	47,879	53,146
Minority Interests				
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	33,033	37,736	47,879	53,146
Recurring Net Profit	31,996	37,736	47,879	53,146
Fully Diluted Recurring Net Profit	31,996	37,736	47,879	53,146

Cash Flow

(Rs mn)	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	49,306	56,114	69,788	76,930
Cash Flow from Invt. & Assoc.				
Change In Working Capital	19,355	(2,496)	775	(1,895)
(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)	(16,101)	(20,428)	(22,676)
Cashflow From Operations	54,089	35,596	53,758	53,940
Capex	(7,937)	(16,366)	(18,023)	(18,653)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	(14,204)	(8,414)	(1,531)	(1,040)
Cash Flow From Investing	(22,141)	(24,780)	(19,555)	(19,693)
Debt Raised/(repaid)	(20,917)	(1,000)	(2,000)	(2,000)
Proceeds From Issue Of Shares		2,937		
Shares Repurchased				
Dividends Paid	(18,353)	(21,290)	(26,429)	(29,365)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(39,270)	(19,353)	(28,429)	(31,365)
Total Cash Generated	(7,322)	(8,537)	5,775	2,881
Free Cashflow To Equity	11,031	9,816	32,203	32,247
Free Cashflow To Firm	34,117	11,952	35,130	34,992

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	18,522	24,297	27,178
Total Debtors	28,673	36,914	46,506	55,923
Inventories	29,573	36,914	46,506	52,727
Total Other Current Assets	20,084	21,084	22,084	23,084
Total Current Assets	105,389	113,434	139,391	158,911
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	86,134	106,091	119,834
Other Current Liabilities	31,647	30,000	31,500	31,500
Total Current Liabilities	104,694	116,134	137,591	151,334
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	149,467	169,974	181,713
Shareholders Equity	115,188	131,634	153,084	176,865
Minority Interests				
Total Equity	115,188	131,634	153,084	176,865

Key Ratios

	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	1.0%	15.9%	18.1%	9.9%
Operating EBITDA Growth	7.0%	13.8%	24.4%	10.2%
Operating EBITDA Margin	12.7%	12.5%	13.2%	13.2%
Net Cash Per Share (Rs)	2.16	0.88	2.20	3.03
BVPS (Rs)	19.61	22.41	26.07	30.11
Gross Interest Cover	19.41	42.91	66.66	91.58
Effective Tax Rate	24.6%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	57.4%	56.4%	55.2%	55.3%
Accounts Receivables Days	30.32	26.65	28.70	32.05
Inventory Days	40.62	37.56	40.28	43.64
Accounts Payables Days	89.92	89.92	92.82	99.36
ROIC (%)	53.5%	89.3%	81.6%	77.0%
ROCE (%)	31.9%	34.2%	38.6%	37.8%
Return On Average Assets	13.6%	14.4%	16.1%	15.7%

Key Drivers

	Mar-25A	Mar-26F	Mar-27F	Mar-28F
ASP (% chg, main prod./serv.)	0.7%	2.7%	0.6%	1.1%
Unit sales grth (% , main prod./serv.)	0.3%	12.8%	17.4%	8.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

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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.

Sector Ratings

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.

Country Ratings

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.