

Ashok Leyland | BUY

Structural tailwinds underpinning future growth

In 3QFY26, Ashok Leyland (AL) reported an EBITDA margin of 13.3%, up 50bps YoY (120bps QoQ), and 30bps below JMFe. The margin improvement was supported by operating leverage and continued cost-control measures, although part of the gains was offset by higher commodity prices (50bps impact) and an unfavourable product mix. The company expects Q4FY26 to sustain its growth momentum, supported by GST rationalisation, higher government capital expenditure, improving freight rates, better fleet utilisation, and a revival in construction and mining activities. Looking ahead, the outlook for 1HFY27 remains very strong, driven by robust demand and last year's low base. Growth in 2HFY27 is expected to depend on a pickup in government capex, which has remained subdued over the past 18-24 months. Overall, FY27 is expected to be a strong year for the industry. Based on these trends, we expect AL's volumes to deliver a CAGR of approximately 12.5% over FY25-27E. On the exports front, volumes grew by around 30% YoY in 9MFY26, with broad-based double-digit growth across all key markets including the GCC, Africa and SAARC regions. The company expects this strong momentum to continue across geographies. On the margin front, we expect margins to remain stable despite commodity-linked cost inflation, supported by recent price hikes (60bps in Jan'26), operating leverage, an improving mix, and continued cost-saving initiatives. Accordingly, we revise our EPS estimates upward by ~3.5%/13%/21% for FY26E/27E/28E. We maintain our BUY rating and a SOTP-based target price of INR 245 (core business valued at 15x FY28E EV/EBITDA and Hinduja Leyland Finance at 1.5x FY26E book value).

- 3QFY26 snapshot:** In 3QFY26, AL reported net sales of INR 115.3bn (+21.7% YoY, +20.3% QoQ). Blended realisations declined 2% YoY (+2.5% QoQ). Total volume grew 24.2% YoY (+17.3% QoQ). EBITDA margin stood at 13.3% (+50bps YoY, +120bps QoQ), 30bps below JMFe. EBITDA stood at INR 15.4bn (+26.7% YoY, +32.1% QoQ), in-line with JMFe. PAT came in at INR 11bn (+45% YoY, +36.2% QoQ), 1.2% above JMFe.
- Demand outlook:** AL highlighted that MHCV industry volumes grew by 21% YoY in 3QFY26, while LCV (2-4T) volumes increased by 23% YoY, supported by GST rationalisation which boosted freight demand. AL's domestic MHCV market share stood at 30.9% in 9MFY26, up 60 bps YoY. In the LCV (0-7.5T) segment, market share improved to 12.7% in 9MFY26, an increase of 40 bps YoY. The management indicated that retail buyers outpaced bulk buyers during Nov'26, Dec'26 and partially in Jan'26; however, the company is now witnessing strong demand from bulk buyers, who are making purchases for multiple quarters. The company expects Q4FY26 to sustain its growth momentum, supported by GST rationalisation, higher government capital expenditure, improving freight rates, better fleet utilisation, and a revival in construction and mining activities. Looking ahead, the outlook for 1HFY27 remains very strong, driven by robust demand and last year's low base. Growth in 2HFY27 is expected to depend on a pickup in government capex, which has remained subdued over the past 18-24 months. Factoring the tailwinds, we expect AL's volumes to deliver a CAGR of approximately 12.5% over FY25-27E.
- Profitability outlook:** During 3QFY26, EBITDA margin expanded by 50bps YoY to 13.3%, supported by operating leverage and continued cost-control measures. Part of these gains, however, were offset by higher commodity prices (impact of 50bps) and an unfavourable product mix. To mitigate the commodity cost pressure, the company implemented a 60bps price increase in Jan'26 and believes the industry may need to undertake further price hikes if commodity inflation persists.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	245
Upside/(Downside)	18.8%
Previous Price Target	165
Change	48.6%

Key Data – AL IN

Current Market Price	INR206
Market cap (bn)	INR1,212.1/US\$13.4
Free Float	62%
Shares in issue (mn)	5,873.0
Diluted share (mn)	5,873.0
3-mon avg daily val (mn)	INR3,263.5/US\$36.0
52-week range	215/95
Sensex/Nifty	84,234/25,954
INR/US\$	90.7

Price Performance

%	1M	6M	12M
Absolute	9.9	71.9	102.6
Relative*	9.0	64.5	83.5

* To the BSE Sensex

Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	3,83,670	3,87,527	4,50,904	5,24,808	5,83,230
Sales Growth	6.2%	1.0%	16.4%	16.4%	11.1%
EBITDA	46,066	49,306	59,613	73,326	86,240
EBITDA Margin	12.0%	12.7%	13.2%	14.0%	14.8%
Adjusted Net Profit	27,116	31,996	39,555	49,417	59,073
Diluted EPS (INR)	4.6	5.4	6.7	8.4	10.1
Diluted EPS Growth	109.3%	18.0%	23.6%	24.9%	19.5%
ROIC	82.3%	170.1%	151.5%	142.4%	181.9%
ROE	31.5%	31.5%	31.0%	31.4%	30.0%
P/E (x)	44.6	37.8	30.6	24.5	20.5
P/B (x)	27.5	21.0	8.6	6.9	5.5
EV/EBITDA (x)	26.0	24.3	20.2	16.1	13.3
Dividend Yield	0.6%	1.5%	1.2%	1.2%	1.2%

Source: Company data, JM Financial. Note: Valuations as of 11/Feb/2026

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.

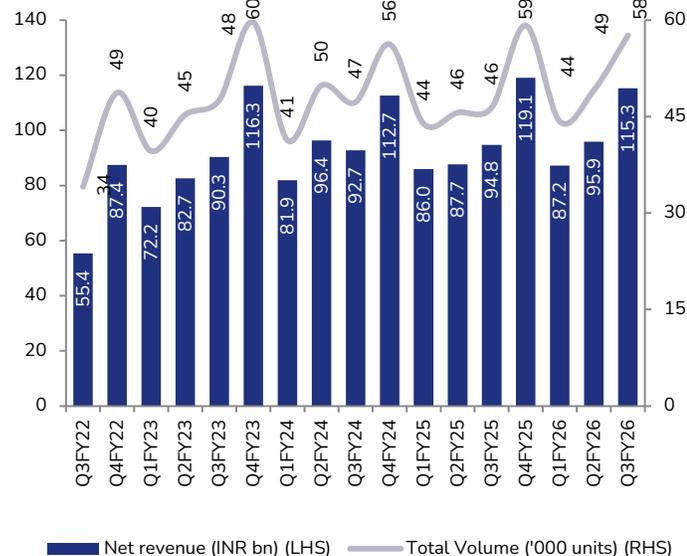
- **Rising contribution from domestic non-truck segments:** Non-truck segments now contribute approximately 45% of revenue. AL's non-CV businesses also performed in line with company's expectations, with aftermarket revenues in Q3 rising 10% YoY. The power solutions segment delivered a strong performance, reporting a 45% YoY increase in revenue, while the defence business grew even more robustly with an 84% YoY rise. The defence order book and tender pipeline remain healthy, providing good visibility for sustained growth.
- **Exports outlook:** On the exports front, volumes grew by approximately 30% YoY in 9MFY26, with broad-based double-digit growth across all key markets including the GCC, Africa and SAARC regions. The company expects this strong momentum to continue across geographies.
- **Product launch pipeline:** AL recently introduced a refreshed range of heavy-duty trucks, including Hippo tractors and Taurus tippers, featuring 320hp and 360hp powertrains and stronger driveline aggregates to improve uptime, turnaround time and total cost of ownership. It also launched upgraded 280hp multi-axle trucks to enhance productivity, and in the LCV segment added the new 4.1-ton Bada Dost with best-in-class payload and the 100 kmph Bada Dost Tor Phoenix for international markets, along with extended load-span options up to 10 feet 7 inches. AL plans to enter the biofuel segment soon, and its product pipeline remains robust with several launches scheduled over the next six months.
- **Update on EV business:** Switch Mobility sold 850 e-buses and 1200 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 1,350 units. Recently, Switch delivered over 240 buses for deployment in the national capital. The company has also commenced exports, with the first batch of vehicles supplied to Mauritius and a new order of 45 buses secured from Bhutan.
- **Other highlights:** 1) HLFL delivered strong performance with AUM for HLF/HHF at INR 564bn/154bn (+18%/16% YoY). Reverse merger of HLF with NDL Ventures had some initial delays but now with all the necessary approvals in place, the process is being followed for a final closure. 2) With the inauguration of Lucknow plant slated in 3QFY26 and continued ramp up of other bus plants, the total buses capacity including Andhra Pradesh plant will reach to 20k per annum. 3) Net cash stood at INR 26bn (vs. INR 10bn in 2QFY26), 4) Capex for 3QFY26/9MFY26 was at INR1.87/8.44bn. 5) The company has no capacity constraints and does not anticipate any major expansion over the next two to three years despite the strong demand.

Exhibit 1. Standalone quarterly performance

AL (INR mn)	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ	Q3FY26E	% A/E
MHCV (Units)	37,376	30,058	24.3	30,718	21.7	37,376	0.0
LCV (Units)	20,249	16,346	23.9	18,398	10.1	20,249	0.0
Total Volumes (Units)	57,625	46,404	24.2	49,116	17.3	57,625	0.0
Average Realisation (Net, INR)	2,001,536	2,042,641	-2.0	1,952,150	2.5	1,961,911	2.0
Sales	115,339	94,787	21.7	95,882	20.3	113,055	2.0
RM	83,253	67,743	22.9	68,237	22.0	80,861	3.0
As a % of sales	72.2	71.5	70bps	71.2	100bps	71.5	70bps
Employee Exp	6,252	6,064	3.1	6,478	-3	6,575	-4.9
As a % of sales	5.4	6.4	-100bps	6.8	-130bps	5.8	-40bps
Other Costs	10,484	8,866	18.2	9,546	9.8	10,261	2.2
As a % of sales	9.1	9.4	-30bps	10.0	-90bps	9.1	0bps
Expenditure	99,988	82,672	20.9	84,260	18.7	97,697	2.3
EBITDA	15,350	12,114	26.7	11,622	32.1	15,358	-0.1
EBITDA Margin	13.3	12.8	50bps	12.1	120bps	13.6	-30bps
Other Income	593	247	139.8	1,348	-56.0	1,375	-56.9
Interest	438	501	-12.4	420	4.4	411	6.5
Depreciation	1,775	1,923	-7.7	1,723	3.0	1,766	0.5
PBT	13,730	9,938	38.2	10,827	26.8	14,555	-5.7
Tax	2,685	2,320	15.7	2,716	-1.1	3,639	-26.2
Tax rate (%)	19.6	23.3		25.1		25.0	
PAT (Adjusted)	11,045	7,617	45.0	8,111	36.2	10,916	1.2
PAT Margin (Adjusted)	9.6	8.0	150bps	8.5	110bps	9.7	-10bps
EPS (INR)	1.9	1.3	45.0	1.4	36.2	1.9	1.2

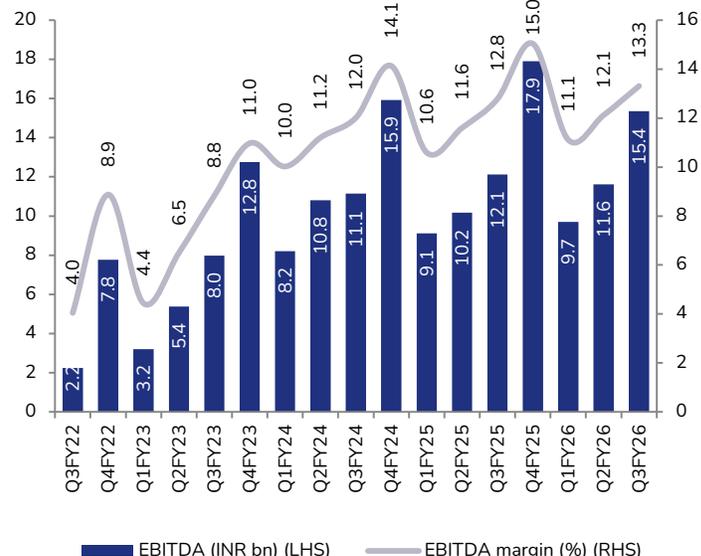
Source: Company, JM Financial

Exhibit 2. Revenue and volume trend



Source: Company, JM Financial

Exhibit 3. EBITDA and Margin trend



Source: Company, JM Financial

Exhibit 4. SOTP Valuation

Standalone business	INR mn
FY28E EBITDA	86,240
EV/EBITDA multiple	15x
Enterprise value	1,293,599
Net debt	-64,381
Equity Value	1,357,980
No. of shares (in mn)	5,873
Per share value of the core business	231
Hinduja Leyland Finance (valued at 1.5x FY26E book value) (INR per share)	14
Target Price (INR)	245

Source: Company, JM Financial

Exhibit 5. 1-yr forward EV/EBITDA chart



Source: Bloomberg, JM Financial

Exhibit 6. Change in estimates

Ashok Leyland	New assumption				Old assumption				% Change			
	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E	FY25A	FY26E	FY27E	FY28E
Revenue (INR mn)	387,527	450,904	524,808	583,230	387,527	428,433	475,319	518,274	0.0%	5.2%	10.4%	12.5%
EBITDA (INR mn)	49,306	59,613	73,326	86,240	49,306	57,842	65,770	72,603	0.0%	3.1%	11.5%	18.8%
<i>EBITDA margin (%)</i>	12.7%	13.2%	14.0%	14.8%	12.7%	13.5%	13.8%	14.0%	0bps	-28bps	13bps	78bps
PAT (INR mn)	31,996	39,555	49,417	59,073	31,996	38,236	43,787	48,914	0.0%	3.5%	12.9%	20.8%
EPS (INR)	5.4	6.7	8.4	10.1	5.4	6.5	7.5	8.3	0.0%	3.5%	12.9%	20.8%

Source: Company, 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	4,50,904	5,24,808	5,83,230	
Sales Growth	6.2%	1.0%	16.4%	16.4%	11.1%	
Other Operating Income	0	0	0	0	0	
Total Revenue	3,83,670	3,87,527	4,50,904	5,24,808	5,83,230	
Cost of Goods Sold/Op. Exp	2,79,120	2,76,228	3,21,529	3,75,546	4,14,978	
Personnel Cost	22,334	24,063	26,710	28,579	30,866	
Other Expenses	36,151	37,931	43,052	47,357	51,146	
EBITDA	46,066	49,306	59,613	73,326	86,240	
EBITDA Margin	12.0%	12.7%	13.2%	14.0%	14.8%	
EBITDA Growth	57.2%	7.0%	20.9%	23.0%	17.6%	
Deprn. & Amort.	7,178	7,193	7,690	8,524	8,673	
EBIT	38,888	42,112	51,923	64,801	77,567	
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	53,094	66,331	79,293	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	38,859	42,446	53,094	66,331	79,293	
Taxes	11,743	10,450	13,539	16,914	20,220	
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	39,555	49,417	59,073	
Adjusted Net Profit	27,116	31,996	39,555	49,417	59,073	
Net Margin	7.1%	8.3%	8.8%	9.4%	10.1%	
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	6.7	8.4	10.1	
Diluted EPS Growth	109.3%	18.0%	23.6%	24.9%	19.5%	
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	37,922	43,483	53,094	66,331	79,293	
Deprn. & Amort.	7,178	7,193	7,690	8,524	8,673	
Net Interest Exp. / Inc. (-)	1,914	1,766	-1,171	-1,530	-1,727	
Inc (-) / Dec in WCap.	-15,229	37,407	-17,267	2,379	2,692	
Others	-509	-2,248	0	0	0	
Taxes Paid	-6,245	-9,407	-13,539	-16,914	-20,220	
Operating Cash Flow	25,031	78,194	28,806	58,790	68,712	
Capex	-4,815	-9,243	-9,248	-9,248	-9,248	
Free Cash Flow	20,217	68,951	19,559	49,543	59,464	
Inc (-) / Dec in Investments	10,354	-34,366	-12,500	-12,500	-12,500	
Others	3,481	2,829	1,866	2,004	2,153	
Investing Cash Flow	9,021	-40,780	-19,881	-19,743	-19,595	
Inc / Dec (-) in Capital	17	17	0	0	0	
Dividend + Tax thereon	-7,634	-20,408	-14,683	-14,683	-14,683	
Inc / Dec (-) in Loans	-8,896	-7,760	-3,500	0	0	
Others	-2,661	-2,084	-504	-245	-154	
Financing Cash Flow	-19,175	-30,235	-18,687	-14,928	-14,836	
Inc / Dec (-) in Cash	14,878	7,179	-9,762	24,119	34,281	
Opening Cash Balance	4,541	19,419	26,598	16,837	40,956	
Closing Cash Balance	19,419	26,598	16,837	40,956	75,237	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders' Fund	88,104	1,15,188	1,40,060	1,74,795	2,19,185	
Share Capital	2,936	2,937	5,873	5,873	5,873	
Reserves & Surplus	85,167	1,12,251	1,34,187	1,68,922	2,13,312	
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.	1,16,661	1,35,484	1,56,857	1,91,591	2,35,982	
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: Deprn. & 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	1,19,337	1,58,205	2,03,934	
Inventories	31,907	29,573	37,262	43,631	48,107	
Sundry Debtors	35,699	28,873	43,237	50,324	55,926	
Cash & Bank Balances	34,382	27,060	17,298	41,417	75,698	
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	1,25,970	1,43,327	1,57,739	
Current Liabilities	63,052	73,047	74,877	87,456	96,639	
Provisions & Others	56,405	46,727	51,093	55,871	61,101	
Net Current Assets	-470	-13,948	-6,633	14,877	46,194	
Total - Assets	1,16,661	1,35,484	1,56,857	1,91,591	2,35,982	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Margin	7.1%	8.3%	8.8%	9.4%	10.1%	
Asset Turnover (x)	3.4	3.2	3.2	3.1	2.8	
Leverage Factor (x)	1.3	1.2	1.1	1.1	1.1	
RoE	31.5%	31.5%	31.0%	31.4%	30.0%	

Key Ratios						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
BV/Share (INR)	7.5	9.8	23.8	29.8	37.3	
ROIC	82.3%	170.1%	151.5%	142.4%	181.9%	
ROE	31.5%	31.5%	31.0%	31.4%	30.0%	
Net Debt/Equity (x)	-0.1	-0.1	0.0	-0.2	-0.3	
P/E (x)	44.6	37.8	30.6	24.5	20.5	
P/B (x)	27.5	21.0	8.6	6.9	5.5	
EV/EBITDA (x)	26.0	24.3	20.2	16.1	13.3	
EV/Sales (x)	3.1	3.1	2.7	2.2	2.0	
Debtor days	34	27	35	35	35	
Inventory days	30	28	30	30	30	
Creditor days	68	79	70	71	71	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Aug-21	Buy	75	
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
12-Nov-25	Buy	165	17.9

Recommendation History



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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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)

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