

Ashok Leyland | BUY

Demand resilient; near-term margin pressures persist

Ashok Leyland reported an EBITDA margin of 14.6% in 4QFY26 (-50bps YoY, +130bps QoQ), supported by price hikes (~1% effective Jan'26), favourable mix, and continued cost-control initiatives, which more than offset commodity cost inflation during the quarter. Management indicated that domestic demand remained healthy in Apr'26 and May'26 despite concerns around diesel availability/prices and geopolitical uncertainties, supported by GST rationalisation, ageing fleet replacement, and fleet expansion demand. On exports, demand across GCC, Africa, and SAARC markets remains stable, though international logistics disruptions could weigh on near-term exports. We factor in volume growth of ~6%/~7.8% for FY27E/FY28E. On margins, despite additional price hikes of ~1–1.5% effective Apr'26, we expect near-term profitability to remain under pressure due to RM cost inflation and denominator impact, partially offset by improving non-truck mix and ongoing cost-saving measures. Accordingly, we revise our FY27E/FY28E EBITDA margin estimates downward by ~20bps/~30bps. We maintain BUY with a revised SOTP-based TP of INR 191 (core business valued at 14x FY28E EV/EBITDA vs. 14.5x earlier, and Hinduja Leyland Finance valued at 1.5x FY26 book value).

- 4QFY26 snapshot:** In 4QFY26, AL reported net sales of INR 141.6bn (+18.9% YoY, +22.8% QoQ), broadly in line with JMFe. Blended realisations increased 1.3% YoY (+1.9% QoQ). Total volume grew 17.4% YoY (+20.5% QoQ). EBITDA margin stood at 14.6% (-50bps YoY, +130bps QoQ), 30bps ahead of consensus. EBITDA stood at INR 20.7bn (+15.3% YoY, +34.6% QoQ). PAT came in at INR 14bn (+11.5% YoY, +27.2% QoQ).
- Demand outlook:** Ashok Leyland reported domestic MHCV volume growth broadly in line with the industry in 4QFY26, with overall MHCV market share at 30.8%, including 30.2% in MHCV trucks and 34.1% in MHCV buses. In the LCV segment, the company outperformed the industry with Vahan market share improving to 12.8% (+90bps YoY). Export volumes were marginally lower YoY due to international logistics disruptions. On the outlook, management indicated that domestic demand remained healthy in Apr'26 and May'26 despite concerns around diesel prices and geopolitical uncertainties, supported by GST rationalisation, ageing fleet replacement, and fleet expansion demand. Management also indicated that even if demand witnesses a temporary moderation in 1Q/2QFY27, recovery is expected from 3QFY27 onwards. While heavy-duty truck demand is expected to improve further, ILCV and tractor long-haul demand may moderate versus 4QFY26 levels. On exports, retail demand across GCC, Africa, and SAARC markets remains stable; however, international logistics disruptions could weigh on near-term exports.
- Profitability outlook:** During 4QFY26, EBITDA margin came in at 14.6% (-50bps YoY, +130bps QoQ). On a sequential basis, gross margin (+80bps QoQ) was supported by price hike (~1% price hike effective Jan'26), cost control measures (including value engineering and commercial negotiations), and a favourable product mix. Management highlighted that commodity cost pressures are expected to persist in 1QFY27, following which the company has taken an additional price hike of ~1–1.5% effective Apr'26.
- Non-vehicle segments:** Non-truck businesses continued to witness healthy momentum, led by growth in spares (~INR 10.6bn), exports (~INR 11bn), and defence (~INR 2.75bn), while engine revenues remained flat YoY at ~INR 4.25bn. The company remains optimistic on the defence business, supported by a strong order book of ~INR 15bn.

Financial Summary

| Y/E Mar | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------|---------|---------|---------|---------|---------|
| Net Sales | 383,670 | 387,527 | 440,070 | 476,970 | 524,572 |
| Sales Growth (%) | 6.2 | 1.0 | 13.6 | 8.4 | 10.0 |
| EBITDA | 46,066 | 49,306 | 57,323 | 58,354 | 69,342 |
| EBITDA Margin (%) | 12.0 | 12.7 | 13.0 | 12.2 | 13.2 |
| Adjusted Net Profit | 27,116 | 31,996 | 39,140 | 39,503 | 47,430 |
| Diluted EPS (INR) | 4.6 | 5.4 | 6.7 | 6.7 | 8.1 |
| Diluted EPS Growth (%) | 109.3 | 18.0 | 22.3 | 0.9 | 20.1 |
| ROIC (%) | 82.3 | 170.1 | 406.8 | 1,032.0 | 2,012.7 |
| ROE (%) | 31.5 | 31.5 | 31.8 | 28.1 | 29.0 |
| P/E (x) | 36.7 | 29.1 | 27.0 | 24.3 | 20.3 |
| P/B (x) | 10.9 | 8.3 | 7.3 | 6.4 | 5.4 |
| EV/EBITDA (x) | 20.6 | 18.6 | 15.7 | 15.3 | 12.5 |
| Dividend Yield (x) | 1.6 | 3.8 | 2.1 | 2.1 | 2.1 |

Source: Company data, JM Financial. Note: Valuations as of May 27, 2026



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Recommendation and Price Target

| | |
|----------------------------|-------|
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Current Price Target (12M) | 191 |
| Upside/(Downside) | 16.5% |
| Previous Price Target | 204 |
| Change | -6.4% |

Key Data – AL IN EQUITY

| | |
|--------------------------|---------------------|
| Current Market Price | INR164 |
| Market cap (bn) | INR961.1/US\$10.0 |
| Free Float (%) | 62.5 |
| Shares in issue (mn) | 5,873.9 |
| Diluted share (mn) | 5,873.9 |
| 3-mon avg daily val (mn) | INR4,461.0/US\$46.7 |
| 52-week range | INR215/115 |
| Sensex/Nifty | 75,868/23,907 |
| INR/US\$ | 95.7 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|------|------|
| Absolute | -2.3 | 3.5 | 37.1 |
| Relative* | -0.2 | 16.9 | 47.6 |

*To the NSE Nifty 50

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

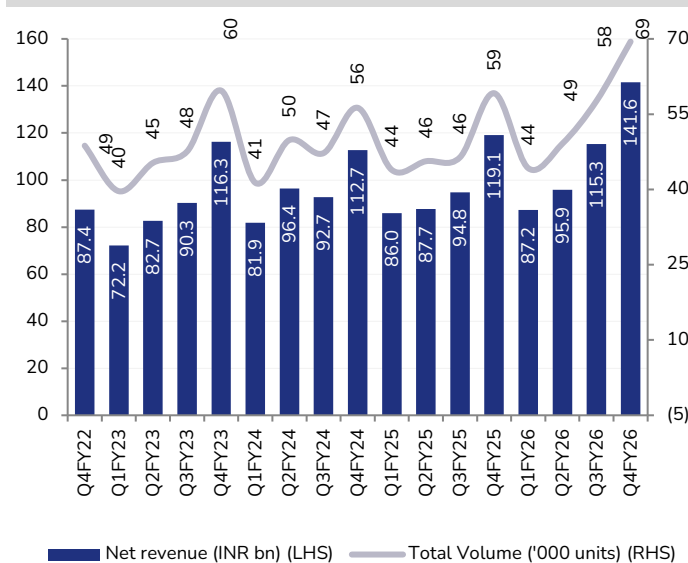
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Update on EV business:** Switch Mobility has achieved PAT profitability in FY26, with free cash flow breakeven targeted by FY27. The company has an order book of over 1,600 units.
- **Other highlights:** i) HLF delivered a strong performance, with AUM for HLF/HHF standing at ~INR 590bn/160bn, reflecting growth of ~24%/~15% YoY, respectively. The reverse merger of HLF with NDL Ventures is expected to be completed by 1HFY27. ii) Capex for FY26 stood at ~INR 10.5bn, while the company has guided for capex of ~INR 7.5–10bn for FY27E. iii) The greenfield battery facility is expected to commence production in 2Q next year.

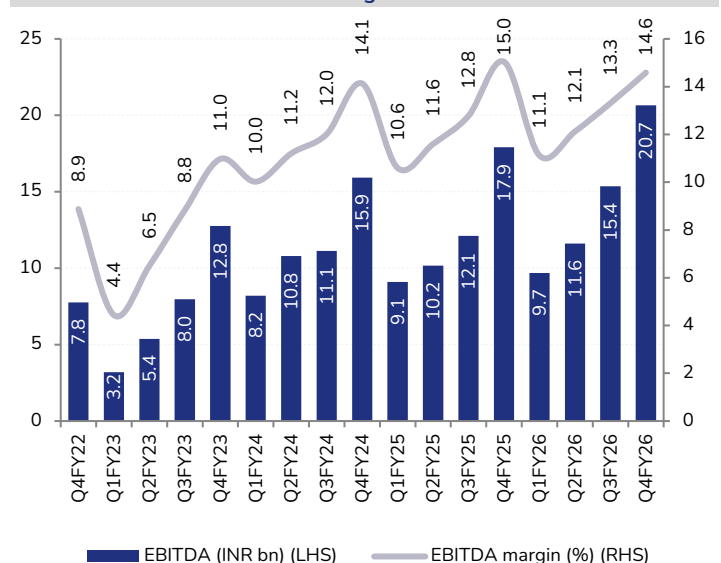
Exhibit 1: Standalone quarterly performance

| AL (INR mn) | Q4FY26 | Q4FY25 | % YoY | Q3FY26 | % QoQ | Q4FY26E | % A/E |
|--------------------------------|----------------|----------------|---------------|----------------|---------------|----------------|---------------|
| MHCV (Units) | 46,493 | 39,908 | 16.5 | 37,376 | 24.4 | 46,493 | 0.0 |
| LCV (Units) | 22,965 | 19,268 | 19.2 | 20,249 | 13.4 | 22,965 | 0.0 |
| Total Volumes (Units) | 69,458 | 59,176 | 17.4 | 57,625 | 20.5 | 69,458 | 0.0 |
| Average Realisation (Net, INR) | 2,038,713 | 2,012,084 | 1.3 | 2,001,536 | 1.9 | 2,061,582 | -1.1 |
| Sales | 141,605 | 119,067 | 18.9 | 115,339 | 22.8 | 143,193 | -1.1 |
| RM | 101,053 | 84,028 | 20.3 | 83,253 | 21.4 | 103,650 | -2.5 |
| As a % of sales | 71.4 | 70.6 | 80bps | 72.2 | -80bps | 72.4 | -100bps |
| Employee Exp | 7,216 | 6,515 | 10.8 | 6,252 | 15 | 6,314 | 14.3 |
| As a % of sales | 5.1 | 5.5 | -40bps | 5.4 | -30bps | 4.4 | 70bps |
| Other Costs | 12,681 | 10,614 | 19.5 | 10,484 | 21.0 | 11,532 | 10.0 |
| As a % of sales | 9.0 | 8.9 | 0bps | 9.1 | -10bps | 8.1 | 90bps |
| Expenditure | 120,950 | 101,158 | 19.6 | 99,988 | 21.0 | 121,496 | -0.4 |
| EBITDA | 20,655 | 17,910 | 15.3 | 15,350 | 34.6 | 21,697 | -4.8 |
| EBITDA Margin | 14.6 | 15.0 | -50bps | 13.3 | 130bps | 15.2 | -60bps |
| Other Income | 1,826 | 1,789 | 2.1 | 1,775 | 2.9 | 1,783 | 2.4 |
| Interest | 18,829 | 16,121 | 16.8 | 13,576 | 38.7 | 19,914 | -5.4 |
| Depreciation | 13.3 | 13.5 | -20bps | 11.8 | 150bps | 13.9 | -60bps |
| PBT | 683 | 1,059 | -35.5 | 593 | 15.3 | 889 | -23.2 |
| Tax | 421 | 471 | -10.7 | 438 | -4.0 | 439 | -4.2 |
| Tax rate (%) | 19,091 | 16,709 | 14.3 | 13,730 | 39.1 | 20,363 | -6.2 |
| PAT (Adjusted) | 5,044 | 4,114 | 22.6 | 2,685 | 87.9 | 5,091 | -0.9 |
| PAT Margin (Adjusted) | 26.4 | 24.6 | | 19.6 | | 25.0 | |
| EPS (INR) | 14,047 | 12,595 | 11.5 | 11,045 | 27.2 | 15,272 | -8.0 |

Source: Company, JM Financial

Exhibit 2: Revenue and volume trend

Source: Company, JM Financial

Exhibit 3: EBITDA and EBITDA margin trend

Source: Company, JM Financial

Exhibit 4: SOTP Valuation

| Standalone business | INR mn |
|--|------------------|
| FY28E EBITDA | 69,342 |
| EV/EBITDA multiple | 14.0x |
| Enterprise value | 970,793 |
| Net debt | -50,482 |
| Equity Value | 1,021,275 |
| No. of shares (in mn) | 5,874 |
| Per share value of the core business | 174 |
| Hinduja Leyland Finance (valued at 1.5x FY26 book value) (INR per share) | 17 |
| Target Price (INR) | 191 |

Source: Company, JM Financial

Exhibit 5: One year forward EV/EBITDA

Source: Bloomberg, JM Financial

Exhibit 6: Changes in estimate

| AL | New assumption | | | Old assumption | | | % Change | | |
|------------------|----------------|---------|---------|----------------|---------|---------|----------|--------|--------|
| | FY26A | FY27E | FY28E | FY26A | FY27E | FY28E | FY26A | FY27E | FY28E |
| Revenue (INR mn) | 440,070 | 476,970 | 524,572 | 441,659 | 482,203 | 547,172 | -0.4% | -1.1% | -4.1% |
| EBITDA (INR mn) | 57,322 | 58,354 | 69,342 | 58,364 | 60,132 | 73,754 | -1.8% | -3.0% | -6.0% |
| EBITDAM (%) | 13.0% | 12.2% | 13.2% | 13.2% | 12.5% | 13.5% | -20bps | -20bps | -30bps |
| PAT (INR mn) | 39,140 | 39,503 | 47,430 | 40,365 | 40,169 | 50,394 | -3.0% | -1.7% | -5.9% |
| EPS (INR) | 6.7 | 6.7 | 8.1 | 6.9 | 6.8 | 8.6 | -3.1% | -1.7% | -5.9% |

Source: Company, JM Financial

Financial Tables (Standalone)

| Income Statement | | (INR mn) | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|--|
| Y/E Mar | FY24A | FY25A | FY26A | FY27E | FY28E | |
| Net Sales | 383,670 | 387,527 | 440,070 | 476,970 | 524,572 | |
| Sales Growth (%) | 6.2 | 1.0 | 13.6 | 8.4 | 10.0 | |
| Other Operating Income | - | - | - | - | - | |
| Total Revenue | 383,670 | 387,527 | 440,070 | 476,970 | 524,572 | |
| Cost of Goods Sold/Op. Exp | 279,120 | 276,228 | 314,171 | 343,704 | 373,949 | |
| Personnel Cost | 22,334 | 24,063 | 26,067 | 28,152 | 30,545 | |
| Other Expenses | 36,151 | 37,931 | 42,510 | 46,760 | 50,735 | |
| EBITDA | 46,066 | 49,306 | 57,323 | 58,354 | 69,342 | |
| EBITDA Margin (%) | 12.0 | 12.7 | 13.0 | 12.2 | 13.2 | |
| EBITDA Growth (%) | 57.2 | 7.0 | 16.3 | 1.8 | 18.8 | |
| Depn. & Amort. | 7,178 | 7,193 | 7,152 | 8,005 | 8,523 | |
| EBIT | 38,888 | 42,112 | 50,171 | 50,349 | 60,819 | |
| Other Income | 2,466 | 2,503 | 3,152 | 3,309 | 3,475 | |
| Finance Cost | 2,494 | 2,169 | 1,697 | 1,406 | 1,555 | |
| PBT before Excep. & Forex | 38,859 | 42,446 | 51,625 | 52,253 | 62,739 | |
| Excep. & Forex Inc./Loss(-) | - | - | - | - | - | |
| PBT | 38,859 | 42,446 | 51,625 | 52,253 | 62,739 | |
| Taxes | 11,743 | 10,450 | 12,485 | 12,750 | 15,308 | |
| Extraordinary Inc./Loss(-) | -937 | 1,037 | -3,485 | - | - | |
| Assoc. Profit/Min. Int.(-) | - | - | - | - | - | |
| Reported Net Profit | 26,179 | 33,033 | 35,655 | 39,503 | 47,430 | |
| Adjusted Net Profit | 27,116 | 31,996 | 39,140 | 39,503 | 47,430 | |
| Net Margin (%) | 7.1 | 8.3 | 8.9 | 8.3 | 9.0 | |
| Diluted Share Cap. (mn) | 5,873 | 5,873 | 5,874 | 5,874 | 5,874 | |
| Diluted EPS (INR) | 4.6 | 5.4 | 6.7 | 6.7 | 8.1 | |
| Diluted EPS Growth (%) | 109.3 | 18.0 | 22.3 | 0.9 | 20.1 | |
| Total Dividend + Tax | 15,269 | 36,706 | 20,559 | 20,559 | 20,559 | |
| Dividend Per Share (INR) | 2.6 | 6.3 | 3.5 | 3.5 | 3.5 | |

Source: Company, JM Financial

| Cash Flow Statement | | (INR mn) | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|--|
| Y/E Mar | FY24A | FY25A | FY26A | FY27E | FY28E | |
| Profit before Tax | 37,922 | 43,483 | 51,625 | 52,253 | 62,739 | |
| Depn. & Amort. | 7,178 | 7,193 | 7,152 | 8,005 | 8,523 | |
| Net Interest Exp. / Inc. (-) | 1,914 | 1,766 | 1,028 | -1,904 | -1,920 | |
| Inc (-) / Dec in WCap. | -15,229 | 37,407 | 4,136 | -2,256 | 4,774 | |
| Others | -509 | -2,248 | -5,137 | - | - | |
| Taxes Paid | -6,245 | -9,407 | -10,883 | -12,750 | -15,308 | |
| Operating Cash Flow | 25,031 | 78,194 | 47,921 | 43,349 | 58,808 | |
| Capex | -4,815 | -9,243 | -9,777 | -8,793 | -8,793 | |
| Free Cash Flow | 20,217 | 68,951 | 38,144 | 34,556 | 50,015 | |
| Inc (-) / Dec in Investments | 10,354 | -34,366 | -22,917 | -10,000 | -10,000 | |
| Others | 3,481 | 2,829 | 643 | 3,007 | 3,154 | |
| Investing Cash Flow | 9,021 | -40,780 | -32,052 | -15,786 | -15,639 | |
| Inc / Dec (-) in Capital | 17 | 17 | 33 | - | - | |
| Dividend + Tax thereon | -7,634 | -20,408 | -18,354 | -20,559 | -20,559 | |
| Inc / Dec (-) in Loans | -8,896 | -7,760 | -2,914 | 3,000 | -1,000 | |
| Others | -2,661 | -2,084 | -922 | -462 | -528 | |
| Financing Cash Flow | -19,175 | -30,235 | -22,156 | -18,021 | -22,086 | |
| Inc / Dec (-) in Cash | 14,878 | 7,180 | -6,287 | 9,541 | 21,083 | |
| Opening Cash Balance | 4,541 | 19,419 | 26,598 | 20,311 | 29,852 | |
| Closing Cash Balance | 19,419 | 26,598 | 20,311 | 29,852 | 50,935 | |

Source: Company, JM Financial

| Balance Sheet | | (INR mn) | | | | |
|---|----------------|----------------|----------------|----------------|----------------|--|
| Y/E Mar | FY24A | FY25A | FY26A | FY27E | FY28E | |
| Shareholders Fund | 88,104 | 115,188 | 131,134 | 150,079 | 176,951 | |
| Share Capital | 2,936 | 2,937 | 5,874 | 5,874 | 5,874 | |
| Reserves & Surplus | 85,167 | 112,251 | 125,260 | 144,205 | 171,077 | |
| Preference Share Capital | - | - | - | - | - | |
| Minority Interest | - | - | - | - | - | |
| Total Loans | 22,994 | 14,817 | 7,913 | 10,913 | 9,913 | |
| Def. Tax Liab. / Assets (-) | 5,563 | 5,479 | 5,357 | 5,357 | 5,357 | |
| Other non-current liabilities / Lease Liabilities | - | - | - | - | - | |
| Total - Equity & Liab. | 111,098 | 130,005 | 139,047 | 160,992 | 186,864 | |
| Net Fixed Assets | 61,533 | 62,703 | 68,682 | 69,470 | 69,740 | |
| Gross Fixed Assets | 114,435 | 118,688 | 131,273 | 140,066 | 148,859 | |
| Intangible Assets | - | - | - | - | - | |
| Less: Depn. & Amort. | 54,917 | 60,233 | 67,385 | 75,389 | 83,912 | |
| Capital WIP | 2,015 | 4,248 | 4,793 | 4,793 | 4,793 | |
| Investments | 70,561 | 87,191 | 116,250 | 126,250 | 136,250 | |
| Current Assets | 104,023 | 105,365 | 101,005 | 118,804 | 147,631 | |
| Inventories | 31,907 | 29,573 | 34,860 | 37,666 | 40,981 | |
| Sundry Debtors | 35,699 | 28,873 | 29,504 | 33,976 | 37,367 | |
| Cash & Bank Balances | 19,419 | 26,598 | 20,311 | 29,852 | 50,935 | |
| Loans & Advances | - | - | - | - | - | |
| Other Current Assets | 16,999 | 20,320 | 16,330 | 17,310 | 18,349 | |
| Current Liab. & Prov. | 119,457 | 119,774 | 141,532 | 148,175 | 161,400 | |
| Current Liabilities | 63,052 | 73,047 | 94,640 | 96,990 | 105,525 | |
| Provisions & Others | 56,405 | 46,727 | 46,893 | 51,185 | 55,874 | |
| Net Current Assets | -15,433 | -14,409 | -40,527 | -29,371 | -13,768 | |
| Other Non Current Assets/ROU Assets | - | - | - | - | - | |
| Total - Assets | 111,098 | 130,005 | 139,047 | 160,992 | 186,864 | |

Source: Company, JM Financial

| Dupont Analysis | | FY24A | FY25A | FY26A | FY27E | FY28E |
|---------------------|--|-------|-------|-------|-------|-------|
| Y/E Mar | | | | | | |
| Net Margin (%) | | 7.1 | 8.3 | 8.9 | 8.3 | 9.0 |
| Asset Turnover (x) | | 3.1 | 2.9 | 3.0 | 2.9 | 2.8 |
| Leverage Factor (x) | | 1.5 | 1.3 | 1.2 | 1.2 | 1.1 |
| RoE (%) | | 31.5 | 31.5 | 31.8 | 28.1 | 29.0 |

Source: Company, JM Financial

| Key Ratios | | FY24A | FY25A | FY26A | FY27E | FY28E |
|---------------------|--|-------|-------|-------|---------|---------|
| Y/E Mar | | | | | | |
| BV/Share (INR) | | 15.0 | 19.6 | 22.3 | 25.6 | 30.1 |
| ROIC (%) | | 82.3 | 170.1 | 406.8 | 1,032.0 | 2,012.7 |
| ROE (%) | | 31.5 | 31.5 | 31.8 | 28.1 | 29.0 |
| Net Debt/Equity (x) | | -0.2 | -0.4 | -0.5 | -0.5 | -0.5 |
| P/E (x) | | 36.7 | 29.1 | 27.0 | 24.3 | 20.3 |
| P/B (x) | | 10.9 | 8.3 | 7.3 | 6.4 | 5.4 |
| EV/EBITDA (x) | | 20.6 | 18.6 | 15.7 | 15.3 | 12.5 |
| EV/Sales (x) | | 2.5 | 2.4 | 2.0 | 1.9 | 1.7 |
| Debtor days | | 34 | 27 | 24 | 26 | 26 |
| Inventory days | | 30 | 28 | 29 | 29 | 29 |
| Creditor days | | 68 | 79 | 90 | 85 | 85 |

Source: Company, JM Financial

Recommendation History Table

| Date | Recommendation | Target Price | % Chg. |
|-----------|----------------|--------------|--------|
| 8-Apr-26 | Buy | 204 | -17.0 |
| 11-Feb-26 | Buy | 245 | 48.6 |
| 12-Nov-25 | Buy | 165 | 17.9 |
| 15-Aug-25 | Buy | 140 | 6.1 |
| 25-May-25 | Buy | 132 | 5.6 |
| 12-Feb-25 | Buy | 125 | -9.1 |
| 10-Nov-24 | Buy | 138 | 0.0 |
| 28-Jul-24 | Buy | 138 | 0.0 |
| 26-May-24 | Buy | 138 | 37.5 |
| 6-Feb-24 | Buy | 100 | 0.0 |
| 12-Nov-23 | Buy | 100 | 0.0 |
| 24-Jul-23 | Buy | 100 | 11.1 |
| 15-Jun-23 | Buy | 90 | 0.0 |
| 25-May-23 | Buy | 90 | -10.0 |
| 2-Feb-23 | Buy | 100 | 5.3 |
| 13-Nov-22 | Buy | 95 | 7.3 |
| 1-Aug-22 | Buy | 89 | 4.1 |
| 22-May-22 | Buy | 85 | 13.3 |
| 14-Feb-22 | Buy | 75 | -6.3 |
| 15-Nov-21 | Buy | 80 | |

Recommendation History Chart



APPENDIX I

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

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|--------------------------------------|---|
| 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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