

Strong traction from export

CMP: INR 143

Rating: Accumulate

Target Price: INR 161

Stock Info

BSE	500477
NSE	ASHOKLEY
Bloomberg	AL:IN
Reuters	ASOK.NS
Sector	Auto-LCVs & HCVS
Face Value (INR)	1
Equity Capital (INR mn)	2,936
Mkt Cap (INR Bn)	839
52w H/L (INR)	147.6/95.9

Shareholding Pattern %

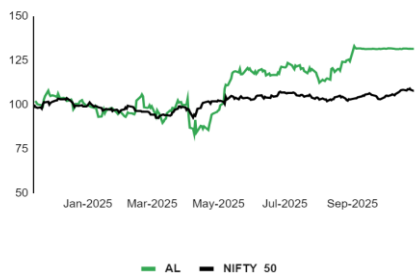
(As on Sep, 2025)

Promoters	51.51
Public	24.32
DII	13.56
Others	10.61

Stock Performance (%)

	1m	3m	12m
Ashok Leyland	3.3	19.1	28.6
Nifty	2.3	5.6	8.3

Ashok Leyland Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Ashok Leyland Ltd (AL) has reported good set of numbers Standalone revenue stood at INR 95,382 Mn registering a growth of up by 9.3% YoY/ up 9.9% QoQ. (Below with our estimates of INR 97,230 Mn).EBITDA stood at INR 11,622 Mn up by 19.9%QoQ/ up 14.2% YoY. (above with our estimates of INR 11,472 Mn).On the margins front, EBITDA margin is up by 101bps QoQ/+52bps YoY to 12.12% (above with the estimate of 11.8%.Standalone PAT by +0.1%YoY/+29.9% QoQ to INR 7,710.6 Mn.(above our estimates INR 7,430 Mn).Provision for litigation expenses of loss 400 Mn. EPS stood at INR 1.31 in Q2FY26 against INR 1.01 in Q1FY26.

Switch Mobility- Strong visibility from GCC: Switch India sold ~600 e-buses and 600 e-LCVs in H1FY26, achieving EBITDA and PAT positive performance. Order book stands at 1,650 buses with strong visibility from GCC and India tenders (10,000+ buses under bid). The company targets free cash flow positivity by FY27, with new 9m and 15m buses and LCV EV variants in the pipeline, supported by production shift to RAK for cost efficiency.

Growth led by Non-CV Businesses: Non-truck businesses contribute ~50% of revenues, including buses (13%), LCVs (12%), spares (10%), defence, power solutions, and exports. These segments carry higher margins and help offset cyclical in domestic trucks. Defence order book remains healthy, with >25% YoY growth in Q2FY26.

Expansion in Exports: Exports grew 45% YoY in Q2 and 38% in H1, with volumes of 4,784 units. Core markets in GCC, Africa, and SAARC are driving momentum, aided by local presence and region-specific product customization. The company targets 25,000 export units over the next three years (~20% CAGR), supporting margin accretion and geographic diversification.

MHCV Segment-Market Leadership with Premiumization: Domestic MHCV truck volumes rose to 21,647 units in Q2 (+4% YoY) with 31% market share (ex-defence, EVs). New 320-360 HP heavy-duty trucks with in-house engines offer superior torque and reliability, aimed at premium, high-margin sub-segments like tippers and mining. Margin improvement is expected from mix upgrade and lower commodity costs.

LCV Segment-Expanding Fast with Strong Product Acceptance: LCV volumes rose 6.4% YoY to 17,697 units market share improved to 13.2%. "Bada Dost Saathi" now contributes ~25% of LCV sales, addressing sub-2T to 4T payload space with minimal cannibalization. Capacity expansion from 80,000 to 110,000 units planned through process optimization; demand buoyed by GST cut and last-mile logistics growth.

Outlook and valuation

The company remains optimistic about strong growth in H2FY26, driven by sustained demand in both MHCV and LCV segments, aided by GST rate cuts, improving freight demand, and rising infrastructure activity. The company expects continued margin improvement supported by better pricing discipline, favorable commodity trends, and increasing mix of high-margin businesses like exports, spares, and defence. New premium truck and bus launches with higher horsepower engines are likely to strengthen market share and pricing power. LCV volumes are expected to outpace the industry, supported by robust traction in the recently launched "Saathi" model. Export volumes are projected to rise steadily toward the 25,000-unit target over the next few years. Cash flows and balance sheet remain strong, enabling continued investment in product development, capacity expansion, and EV initiatives, positioning the company for sustained profitable growth. We anticipate a ~8.5%/9.8%/~7.3 CAGR in revenue/EBITDA/PAT growth from FY26E to FY28E. **Value AL at a PE multiple of 22x for the parent automaker for its FY28E EPS of INR 6.6 (Include INR ~16 for HLF). We downgrade (6M return of 23%) our rating to an Accumulate from Buy earlier and value it with SOTP valuation for a target price of INR 161**

Exhibit 1: Financial Overview

YE March	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin %	RoE (%)	P/E (x)
(INR Mn)							
FY25	387,527	49,306	31,996	11.2	12.7%	32.5%	12.7
FY26E	406,026	47,443	33,507	5.7	11.7%	28.0%	25.0
FY27E	438,168	51,867	35,763	6.1	11.8%	27.6%	23.4
FY28E	478,328	57,156	38,581	6.6	11.9%	27.6%	21.7

Source: Arihant Research, Company Filings

Quarterly Results					
Standalone (INRm)	Q2FY26	Q1FY26	Q2FY25	QoQ%	YoY%
Revenue	95,382	86,815	87,285	9.9%	9.3%
Other operating income	500	430	404	16.2%	23.9%
Net Sales	95,882	87,245	87,688	9.9%	9.3%
Cost of material consumed	62,104	63,866	57,735	-2.8%	7.6%
Purchases of stock-in-trade	4,493	4,271	4,070	5.2%	10.4%
Changes in inventories	1,641	(6,509)	605	-125.2%	171.0%
Raw Material	68,237	61,628	62,410	10.7%	9.3%
Staff Cost	6,478	6,122	5,987	5.8%	8.2%
Other expenditure	9,546	9,799	9,118	-2.6%	4.7%
Total Expenditure	84,260	77,550	77,515	8.7%	8.7%
EBITDA	11,622	9,696	10,173	19.9%	14.2%
Depreciation	1,723	1,828	1,754	-5.7%	-1.8%
EBIT	9,899	7,867	8,419	25.8%	17.6%
Interest	420	419	607	0.3%	-30.8%
Other Income	1,348	529	973	155.0%	38.6%
PBT	10,827	7,977	8,785	35.7%	23.2%
Current Tax	2,626	1,940	3,086	35.4%	-14.9%
Deferred tax	90	100	(828)	-10.0%	-110.9%
Tax	2,716	2,040	2,257	33.1%	20.3%
Adjusted PAT	8,111	5,937	6,527	36.6%	24.3%
Extraordinary	(400.0)	-	1,173.8		
Reported PAT	7,710.6	5,937.3	7,701.0	29.9%	0.1%
EPS	1.31	1.01	2.62	29.7%	-50.0%
Margins	Q2FY26	Q1FY26	Q2FY25	QoQ (Bps)	YoY (Bps)
Gross margins	28.8%	29.4%	28.8%	-53Bps	1Bps
EBITDA	12.12%	11.11%	11.6%	101Bps	52Bps
Adjusted PAT	8.5%	6.8%	7.4%	165Bps	102Bps
Effective Tax Rate	25.1%	25.6%	25.7%	-49Bps	-61Bps
<i>Cost Analysis</i>					
RM/Net Sales	71.17%	70.64%	71.17%	53Bps	-1Bps
Other Exp/Net Sales	9.96%	11.23%	10.40%	-128Bps	-44Bps
Staff cost/Net sales	6.76%	7.02%	6.83%	-26Bps	-7Bps
Volume (In Units)	Q2FY26	Q1FY26	Q2FY25	QoQ%	YoY%
MHCV	26,635	25,661	25,685	3.8%	3.7%
LCV	17,697	15,566	16,629	13.7%	6.4%
Total Sales	44,332	41,227	42,314	7.5%	4.8%
EXPORT	62,029	56,793	58,943	9.2%	5.2%
M&HCV	4,083	2,410	2,495	69.4%	63.6%
LCV	701	601	815	16.6%	-14.0%
Total Exports	4,784	3,011	3,310	58.9%	44.5%
Total Volume	49,116	44,238	45,624	11.0%	7.7%

Source: Arihant Research, Company Filings

Ashok Leyland – Q2FY26 Concall KTAs

Outlook: Management remains optimistic about H2FY26, expecting stronger industry momentum across both MHCV and LCV segments. The proposed GST 2.0 rate rationalization from 28% to 18% is expected to significantly stimulate truck replacement demand and support freight growth. A combination of improving macroeconomic conditions, robust government infrastructure spending, and healthy fleet utilization further reinforces a positive demand outlook. On the cost side, commodity trends remain favorable, with expected moderation in Q3 providing an additional tailwind to margins. Ashok Leyland aims to sustain mid-teen EBITDA margins over the medium term, supported by an improved product mix, continued cost efficiencies, and increasing premiumization across its portfolio. With a strong product pipeline, disciplined capex approach, and a healthy balance sheet, management reiterated its strategic focus on profitable growth, consistent cash generation, and leadership in the premium product segment.

Margins improving 50 bps YoY to 12.1%, supported by mix improvement, cost control, and stable commodity costs.

The company generated strong cash flows, ending the quarter with a net cash position of INR 1,000 cr, compared to net debt of INR 500 cr a year ago marking a swing of INR 1,500 cr.

Capex during Q2 was INR 417 cr and cumulative H1 capex at INR 658 cr. FY26 guidance remains around INR 1,000 crore, primarily toward new product development, COE investments, and corporate office expansion. Operating capital efficiency improved sharply, with working capital reduced by almost 50% YoY through tighter inventory and receivable management.

Interim dividend of INR 1 per share, reflecting confidence in the company's financial strength.

MHCV Segment

MHCV truck volumes stood at 21,647 units, while bus volumes were 4,660 units. The company's domestic MHCV market share (excluding defence and EVs) was 31%, up 50 basis points YoY, aided by strong traction in tippers and haulage.

The company continues to focus on product renewal and premiumization within the MHCV portfolio.

A completely new range of heavy-duty trucks with 320 HP and 360 HP power ratings is ready for launch, featuring next-gen 6-cylinder engines offering higher peak torque and improved reliability. These are designed to serve demanding applications such as mining and heavy haulage, where uptime and performance are critical.

The company is also focusing on reducing time-to-market through higher R&D throughput and quicker response to market and regulatory changes.

LCV

The LCV segment continued to perform strongly, benefiting from the GST 2.0 rate rationalisation and rising last-mile freight demand. LCV volumes reached 17,697 units, up 6.4% YoY, with market share improving to 13.2%, up 90 bps YoY.

LCV industry (2–4T) grew 13% YoY during Q2, with significant retail-led traction.

“Sathi” model has been a standout success, already contributing around 22–25% of total LCV volumes, surpassing internal targets. Importantly,

Sathi has created a new customer segment with minimal cannibalization of existing models, effectively addressing the premium end of the sub-2T market.

LCV capacity of ~80,000 units, which is being enhanced to ~110,000–120,000 units through process and efficiency improvements without large capex.

Additionally, the company plans to introduce a bi-fuel (CNG + petrol/diesel) variant in the next 1–2 quarters to cater to specific regional demand (notably NCR, Mumbai, and Gujarat).

Expects the LCV segment to continue outperforming MHCV in H2, aided by consumption recovery and retail demand momentum.

Exports

Volumes up 45% YoY in Q2 to 4,784 units, and H1 exports up 38% YoY.

Growth was broad-based across key geographies GCC, Africa, and SAARC validating the company's strategy of developing strong local presence and market-specific products.

Management reiterated its long-term target of achieving 18,000 units in FY26 and scaling to 25,000 units in the next three years, implying a 20% CAGR. Exports now contribute 7–8% of total revenues and are margin accretive, helping improve the consolidated margin profile.

Product customization and local assembly capabilities in RAK and Africa continue to strengthen competitiveness and customer trust.

Non-CV Businesses

Non-truck businesses collectively contribute around 50% of total revenues, compared to 60% three years ago, but their higher margin profile continues to support overall profitability.

Aftermarket revenue grew 11% YoY, marking the third consecutive year of double-digit growth.

Power Solutions grew 14% YoY, led by gensets and industrial applications.

Defence segment revenue grew 25% YoY, supported by new tenders and a robust order book. Management reaffirmed its focus on expanding these businesses as part of a diversification strategy to reduce cyclical risk.

Subsidiaries

Switch Mobility India delivered a turnaround performance, selling ~600 electric buses and 600 e-LCVs during H1FY26. It reported positive EBITDA and PAT, and aims to achieve free cash flow positive status by FY27.

Order book stood at 1,650 e-buses, with ongoing participation in the 10,000+ bus PM-eBus tender.

New products include a 9-metre electric bus (standard and low-floor variants) launching shortly, and new e-truck models under development for FY27.

Production of the EVEN (UK electric bus) is being relocated to RAK, UAE, to improve cost efficiency.

OHM Global, the operating subsidiary for electric buses, has crossed 1,100 buses in service, with 98% fleet uptime, and targets 2,500+ buses within 12 months.

HLF

Strong growth with AUM at INR 52,635 cr, up 26% YoY, and Hinduja Housing Finance AUM at INR 14,903 cr, up 20% YoY. Quarterly PAT stood at INR 196 cr; NNPA at 1.59%.

HLF has received RBI approval for merger with NX Digital, paving the way for listing, expected by Q1FY27.

Cost Control

Material cost ratio remained steady at 71.2% of sales, despite commodity volatility and AC cabin adoption in MHCVs.

Cost reduction programs continue across material, manufacturing, logistics, and SG&A expenses.

Working capital has been optimized significantly — receivables reduced by INR 500 crore YoY, and overall working capital brought down by nearly 50%.

Break-even MHCV volumes have declined to ~1,000–1,200 units per month, down from 6,000 earlier, due to structural cost improvements and higher non-truck mix.

Management continues to maintain a strong focus on lean operations and cost productivity.

Network Expansion

Expanded its domestic reach further, adding 27 MHCV and 26 LCV touchpoints during the quarter.

Total network is now close to 2,000 touchpoints (1,100 MHCV and 876 LCV), with deeper penetration in Northeast and Central India.

In addition, 2,300+ trained technicians (ALTTs) are now engaged for service support.

Bus

Capacity expansion is underway the new Lucknow bus plant is set to be inaugurated soon, and along with the AP facility, total bus capacity will rise from ~12,000 units to over 20,000 units annually.

Exhibit 3: Revenue trend and expecting better growth led by upcoming launches

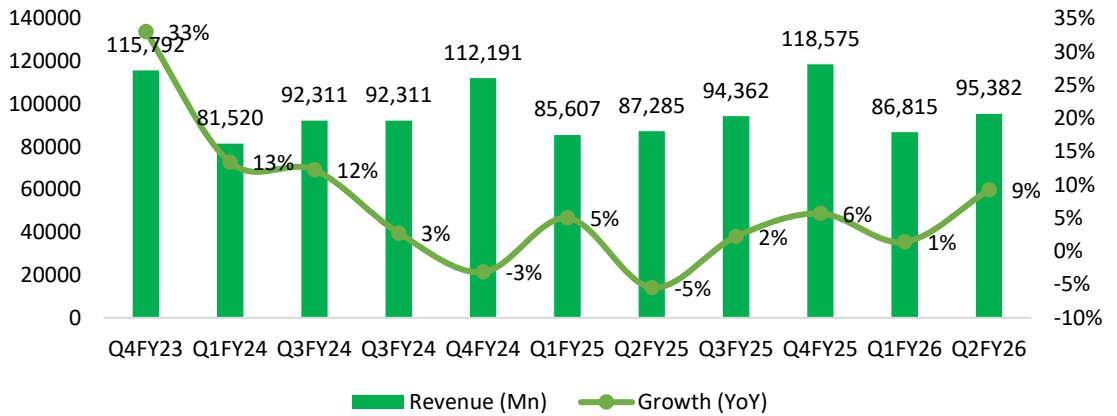


Exhibit 4 : EBITDA margin trend

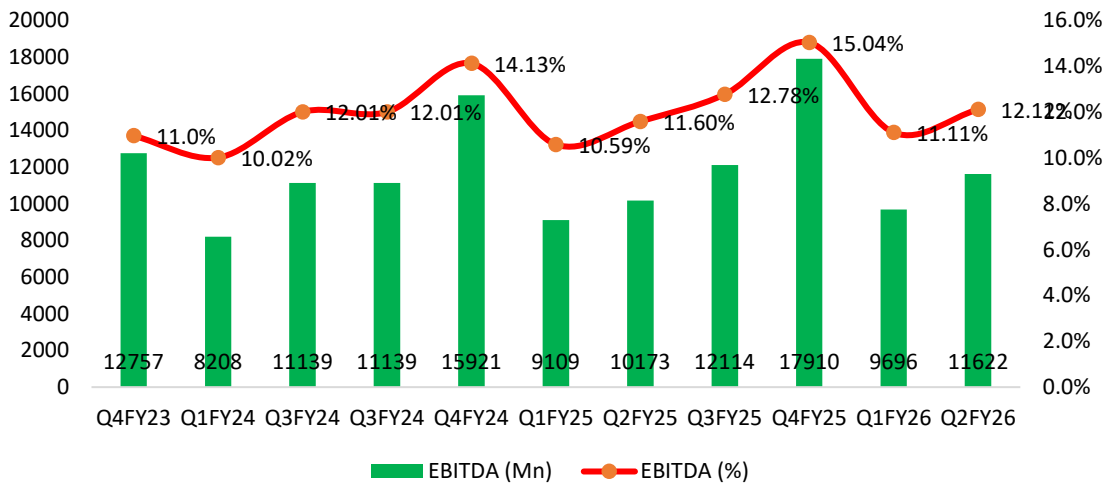
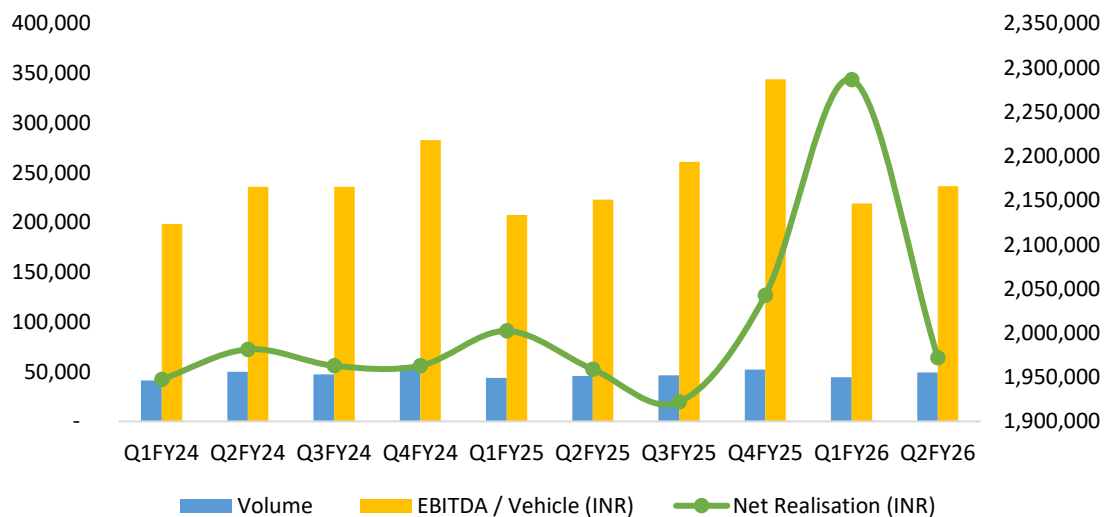


Exhibit 5: Volume expected to increase in the coming quarters



Source: Arianth Research, Company Filings

P&L (INR mn) Standalone	FY25	FY26E	FY27E	FY28E
Net sales	387,527	406,026	438,168	478,328
YoY (%)	1.0	4.8	7.9	9.2
Raw material cost	276,228	292,339	313,729	340,091
Employee Cost	24,063	27,672	31,823	36,596
Admin Expenses	37,931	38,572	40,750	44,485
Total expenses	338,222	358,584	386,301	421,172
EBIDTA	49,306	47,443	51,867	57,156
(%)	12.7%	11.7%	11.8%	11.9%
Depreciation	7,193	8,042	8,887	9,797
EBIT	42,112	39,401	42,980	47,359
Interest	2,169	1,190	1,648	2,115
Other income	2,503	2,553	2,604	2,656
PBT	42,446	40,764	43,936	47,900
Exchange gain / (loss) on swap contracts				
(-) Tax	10,450	7,257	8,174	9,319
Tax/ PBT	24.6	17.8	18.6	19.5
PAT	31,996	33,507	35,763	38,581
YoY (%)	18.0	4.7	6.7	7.9
PAT(%)	8.3%	8.3%	8.2%	8.1%
Extraordinary	1,037.30	-	-	-
Reported Profit	33,033	33,507	35,763	38,581

B/Sheet (INR mn) Standalone	FY25	FY26E	FY27E	FY28E
Equity capital	2,937	5,874	5,874	5,874
Reserves	112,251	118,585	128,384	138,955
Net worth	115,188	124,458	134,257	144,828
Total Loans	14,817	21,792	28,907	36,163
Deferred Tax	5,478.90	-	-	-
Total Liabilities	135,484	146,250	163,164	180,991
Gross block	117,722	129,722	143,722	157,722
Less: Acc. Dep	52,436	60,477	69,364	79,161
Net block	65,286	69,244	74,357	78,560
Work in progress	2,769	2,769	2,769	2,769
Investments	63,140	56,943	57,343	57,743
Inventories	35,861	37,644	38,679	41,929
Debtors	28,873	33,372	36,014	39,315
Cash	27,060	26,303	26,878	30,183
Loans and advances	15,110	29,604	36,236	49,015
Current assets	106,903	126,923	137,806	160,441
Current liabilities	81,130	94,921	93,240	101,196
Provisions	21,484	14,707	15,871	17,326
Net current assets	4,289	17,295	28,695	41,920
Total Assets	135,484	146,250	163,164	180,991

Cash Flow Standalone	FY25	FY26E	FY27E	FY28E
Net profit	33,033	33,507	35,763	38,581
Depreciation	7,193	8,042	8,887	9,797
Deferred tax	(4,524)	(4,524)	(4,524)	(4,524)
Change in W/C	(12,686)	(13,264)	(10,328)	(9,422)
Operating cash flow	23,016	23,761	29,798	34,432
Capex	(13,813)	(12,000)	(14,000)	(14,000)
Investments	(8,317)	7,233	(401)	(401)
Investing cash flow	(22,130)	(4,767)	(14,401)	(14,401)
FCF	9,203	11,761	15,798	20,432
Dividend	(14,322)	(24,237)	(25,964)	(28,010)
Equity	8,373.60	-	(0.00)	-
Debt	(8,177)	6,975	7,114	7,257
Financing cash flow	(14,125)	(17,262)	(18,849)	(20,753)
Net change in cash	(13,239)	1,733	(3,452)	(722)
Opening cash	34,382	27,060	26,303	26,878
Closing cash	27,060	26,303	26,878	30,183

Key Ratios	FY25	FY26E	FY27E	FY28E
EPS	11.2	5.7	6.1	6.6
Cash EPS	13.7	7.1	7.6	8.2
Book value	39	21	23	25
P/E (x)	12.7	25.0	23.4	21.7
EV/EBDITA (x)	7.0	16.4	15.1	13.7
P/B (x)	3.6	6.7	6.2	5.8
EV/Sales	0.9	0.9	0.8	0.8
ROCE	28%	25%	24%	24%
ROE	32%	28%	28%	28%
Dividend Yield	4.4%	2.4%	2.6%	2.8%
Gross asset turn	3.1	2.9	2.8	2.8
Days outstanding				
Inventory	47	47	45	45
Debtors	30	30	30	30
Creditors	90	90	90	90

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
Y.N. Road,
Indore - 452003, (M.P.)
Tel: (91-731) 4217100/101
CIN: L66120MP1992PLC007182

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

Research Analyst Registration No.

Contact

Website

Email Id

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

Disclaimer: This disclosure statement is provided in compliance with the SEBI Research Analyst Regulations, 2014. Arihant Capital Markets Limited (ACML) is a registered stockbroker, merchant banker, and research analyst under SEBI, and is also a Point of Presence with the Pension Fund Regulatory and Development Authority (PFRDA). ACML is registered with SEBI with Research Analyst Registration Number INH000002764, Stock Broker Registration Number INZ000180939, and is a Trading Member with NSE, BSE, MCX, NCDEX, and a Depository Participant with CDSL and NSDL.

ACML and its associates may have business relationships, including investment banking, with companies covered by its Investment Research Department. The analysts of ACML, and their associates, are prohibited from holding a financial interest in securities or derivatives of companies they cover, though they may hold stock in the companies they analyze. The recommendations provided by ACML's research team are based on technical and derivative analysis and may differ from fundamental research reports.

ACML confirms that neither it nor its associates have a financial interest or material conflict concerning the companies covered in the research report at the time of publication. Furthermore, ACML, its analysts, and their relatives have no ownership greater than 1% in the subject companies as of the month prior to publication. ACML guarantees that the compensation for its research analysts is not influenced by specific securities or transactions.

ACML affirms that neither the analyst nor the company has served as an officer, director, employee, or engaged in market-making activities for any of the subject companies. Additionally, the research report does not reflect any conflict of interest and is not influenced by specific recommendations made. Neither ACML nor its analysts have received compensation for investment banking or brokerage services from the subject companies in the last 12 months.

The views expressed in this report are those of the analysts and are independent of the proprietary trading desk of ACML, which operates separately to maintain an unbiased stance. Analysts comply with SEBI Regulations when offering recommendations or opinions through public media. The report is intended for informational purposes only and is not an offer or solicitation for the purchase or sale of securities.

This report, which is confidential, may not be reproduced or shared without written consent from ACML. It is based on publicly available data believed to be reliable but has not been independently verified, and no guarantees are made about its accuracy. All opinions and information contained in the report are subject to change without notice. ACML disclaims liability for any losses resulting from reliance on this report. The report does not constitute an offer to buy or sell securities, and ACML is not responsible for the risks involved in investments. ACML and its affiliates may have positions in the securities discussed or hold other financial interests in them.

The distribution of this report in certain jurisdictions may be restricted by law, and the report is not intended for distribution where it would violate local laws. Investors are advised to consider their financial position, risk tolerance, and investment objectives before engaging in transactions, particularly in high-risk financial products such as derivatives.

ACML reserves the right to modify this disclosure statement without prior notice. The report has been prepared using publicly available information and internally developed data, though ACML does not guarantee its completeness or accuracy. Historical price data for securities can be accessed via official exchanges like NSE or BSE. ACML and its affiliates may conduct proprietary transactions or investment banking services for the companies mentioned in this report. In compliance with SEBI regulations, ACML maintains comprehensive records of research reports, recommendations, and the rationale for those recommendations, which are preserved for at least five years. An annual compliance audit is conducted by a member of the ICAI or ICSI to ensure adherence to applicable regulations. This report is issued in accordance with applicable SEBI regulations and does not guarantee future performance or returns.

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800