

Strong upcoming launches; Focus to expand MS

CMP: INR 122

Rating: Buy

Target Price: INR 148

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)	712
52w H/L (INR)	265/158

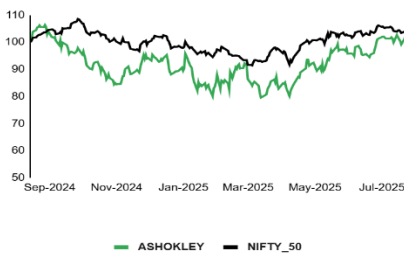
Shareholding Pattern %

(As on June, 2025)

Promoters	51.52
Public	23.85
DII	13.82
Others	10.75

Stock Performance (%)	1m	3m	12m
Ashok Leyland	-3.6	3.9	-1.0
Nifty	-1.7	-0.14	2.02

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 largely in-line Nos and Electric mobility subsidiary, Switch Mobility, continues to gain good traction and has achieved positive EBITDA. The company is redoubling efforts in the international markets and Defence business. Standalone revenue stood at INR 86,815Mn registering a growth of up by 1.4% YoY/ down 26.8% QoQ. (Below our estimates by 1%).EBITDA stood at INR 9,696 Mn down by 45.9%QoQ/ up 6.4% YoY. (Below our estimates by 0.5%).On the margins front, EBITDA margin is down by 393bps QoQ/+52bps YoY to 11.1%, in-line with the estimate of 11.4%.Standalone PAT up by 13%YoY/ down by 52.3% QoQ to INR 5,937 Mn.(Largely in-line with estimates).EPS stood at INR 1.01 in Q1FY26 against INR 2.1 in Q4FY25. (1:1 bonus-Ex date 16th July)

Growth Momentum in Advanced Switch Solutions: Strong growth potential driven by increasing electrification trends in mobility, rising demand for advanced vehicle controls, and OEM focus on premium interiors. Expanding product range and technology tie-ups enhance competitiveness, while synergies from existing manufacturing capabilities support cost efficiency and scalability.

Sustained Demand in Commercial Vehicle Segment: Benefiting from robust infrastructure spending, e-commerce logistics expansion, and fleet replacement demand. New product launches across light, medium, and heavy CV segments strengthen market position. Focus on alternate fuel technologies and higher-value variants supports long-term margin improvement.

Order Visibility in Defence Mobility Solutions: Strategically aligned with government's 'Make in India' and defense indigenization push. Proven track record in supplying specialized, high-mobility vehicles for armed forces enhances credibility. Order visibility remains strong due to multi-year procurement programs and potential for exports to friendly nations.

Market Penetration Across Global Export Markets: Leveraging presence in high-growth overseas markets across Africa, Middle East, and Asia. Diverse product portfolio caters to region-specific requirements, enhancing market penetration. Currency tailwinds, localization in export markets, and strategic partnerships improve competitiveness and earnings stability.

Outlook and valuation

The company remains well-positioned to benefit from sustained demand in the CV segment, supported by infrastructure development, replacement demand, and government-led capital expenditure. The company's strategic focus on premiumization, network expansion, and higher penetration in alternate fuel and electric vehicle offerings is expected to drive product differentiation and market share gains. Margin trajectory is likely to improve through operating leverage, better product mix, and ongoing cost optimization initiatives, although input cost volatility and competitive pricing pressures may create near-term headwinds. Over the medium term, management's emphasis on export market growth, aftersales revenues, and technology-led solutions should support a diversified revenue base and stronger profitability profile. Target low-to-mid single-digit volume growth for the year, with revenue expected to grow faster than volumes on the back of a premium product mix and higher non-cyclical income and profitability is anticipated to improve in H2FY26 as operating leverage benefits and export volumes strengthen. We anticipate a ~8.5%/10.2%/~7.8 CAGR in revenue/EBITDA/PAT growth from FY26E to FY28E. **Value AL at a PE multiple of 16x for the parent automaker for its FY28E EPS of INR 6.9 (Include INR ~27 for HLF). We maintain our rating to Buy and value it with SOTP valuation for a target price of INR 148.**

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%	10.9
FY26E	406,026	49,473	34,950	6.0	12.2%	29.1%	20.5
FY27E	438,168	54,496	37,632	6.4	12.4%	28.9%	19.1
FY28E	478,328	60,026	40,621	6.9	12.5%	28.9%	17.7

Source: Arihant Research, Company Filings

Quarterly Results					
Standalone (INRm)	Q1FY26	Q4FY25	Q1FY25	QoQ%	YoY%
Revenue	86,815	118,575	85,607	-26.8%	1.4%
Other operating income	430	492	378	-12.6%	13.9%
Net Sales	87,245	119,067	85,985	-26.7%	1.5%
Cost of material consumed	63,866	73,720	61,988	-13.4%	3.0%
Purchases of stock-in-trade	4,271	4,634	4,167	-7.8%	2.5%
Changes in inventories	(6,509)	5,674	(4,109)	-214.7%	58.4%
Raw Material	61,628	84,028	62,046	-26.7%	-0.7%
Staff Cost	6,122	6,515	5,498	-6.0%	11.4%
Other expenditure	9,799	10,614	9,333	-7.7%	5.0%
Total Expenditure	77,550	101,158	76,877	-23.3%	0.9%
EBITDA	9,696	17,910	9,109	-45.9%	6.4%
Depreciation	1,828	1,789	1,727	2.2%	5.8%
EBIT	7,867	16,121	7,382	-51.2%	6.6%
Interest	419	471	591	-11.2%	-29.1%
Other Income	529	1,059	223	-50.1%	136.6%
PBT	7,977	16,573	7,014	-51.9%	13.7%
Current Tax	1,940	5,846	2,497	-66.8%	-22.3%
Deferred tax	100	(1,732)	(738)	-105.8%	-113.5%
Tax	2,040	4,114	1,759	-50.4%	16.0%
Adjusted PAT	5,937	12,459	5,256	-52.3%	13.0%
Extraordinary	-	-	-	-	-
Reported PAT	5,937.3	12,458.7	5,255.8	-52.3%	13.0%
EPS	1.01	4.24	1.79	-76.2%	-43.6%
Margins	Q1FY26	Q4FY25	Q1FY25	QoQ (Bps)	YoY (Bps)
Gross margins	29.4%	29.4%	27.8%	-7Bps	152Bps
EBITDA	11.11%	15.04%	10.6%	-393Bps	52Bps
Adjusted PAT	6.8%	10.5%	6.1%	-366Bps	69Bps
Effective Tax Rate	25.6%	24.8%	25.1%	75Bps	50Bps
<i>Cost Analysis</i>					
RM/Net Sales	70.64%	70.57%	72.16%	7Bps	-152Bps
Other Exp/Net Sales	11.23%	8.91%	10.85%	232Bps	38Bps
Staff cost/Net sales	7.02%	5.47%	6.39%	155Bps	62Bps
Volume (In Units)	Q1FY26	Q4FY25	Q1FY25	QoQ%	YoY%
MHCV	25,661	28,953	26,214	-11.4%	-2.1%
LCV	15,566	16,457	15,345	-5.4%	1.4%
Total Sales	41,227	45,410	41,559	-9.2%	-0.8%
EXPORT	56,793	61,867	56,904	-8.2%	-0.2%
M&HCV	2,410	5,391	1,671	-55.3%	44.2%
LCV	601	1,272	663	-52.8%	-9.4%
Total Exports	3,011	6,663	2,334	-54.8%	29.0%
Total Volume	44,238	52,073	43,893	-15.0%	0.8%

Source: Arianth Research, Company Filings

Ashok Leyland-Q1FY25 Concall KTAs

The company remains well-positioned to benefit from sustained demand in the CV segment, supported by infrastructure development, replacement demand, and government-led capital expenditure. The company's strategic focus on premiumization, network expansion, and higher penetration in alternate fuel and electric vehicle offerings is expected to drive product differentiation and market share gains. Margin trajectory is likely to improve through operating leverage, better product mix, and ongoing cost optimization initiatives, although input cost volatility and competitive pricing pressures may create near-term headwinds. Over the medium term, management's emphasis on export market growth, aftersales revenues, and technology-led solutions should support a diversified revenue base and stronger profitability profile.

Switch India

Switch Mobility India is ramping up its EV bus production, supported by a healthy order book and strong demand pipeline from both state and central government EV adoption programs. The business remains strategically positioned to capture growth in FY26, especially as electrification of public transport accelerates. Execution of pending orders and expansion into new city contracts should drive volumes, although margins will remain sensitive to battery costs and localization progress.

OHM (Switch Overseas / OHM UK)

OHM UK continues to operate actively in the UK and European markets, catering to the demand for electric buses and last-mile mobility solutions. Operational efficiencies, combined with EV incentives in the UK, have sustained business momentum. Export orders from Europe are likely to support growth; however, foreign currency fluctuations remain a key risk to monitor.

HFL (Hinduja Foundries Limited)

Hinduja Foundries maintained steady capacity utilization, benefiting from robust CV volumes at Ashok Leyland. Ongoing cost optimization initiatives and automation upgrades have further strengthened operational performance. HFL is expected to remain a competitive advantage in cost and supply reliability, though any sharp raw material price volatility could pressure margins.

Capacity Utilization

Ashok Leyland's capacity utilization remains healthy, backed by strong demand across both domestic and export markets. The company has retained production flexibility to manage seasonal fluctuations and market shifts. High utilization levels are expected to continue in FY26, with potential upside from stronger export momentum and sustained domestic demand.

Defense

The defense segment recorded fresh orders during the period, leveraging its experience in delivering high-mobility vehicles for the armed forces. With the Indian government's "Make in India" initiative and focus on indigenization, the defense business is positioned for stable growth and sustained profitability contribution.

FY26 Investments

Planned investments for FY26 are primarily targeted towards EV capacity expansion, digital platforms, and green mobility technology upgrades. These initiatives are expected to enhance Ashok Leyland's competitive positioning while opening new revenue streams in the EV and defense segments over the medium term.

Switch UK

Switch UK continues to execute deliveries for European clients, with particular focus on double-decker EV buses for public transport fleets. The UK's commitment to zero-emission public transport offers a multi-year growth runway, though competition in the EV bus segment is intensifying.

Margins

Gross margins improved year-on-year, supported by favorable product mix and operating leverage from higher volumes. Margins are expected to remain stable to slightly positive in FY26, aided by aftermarket growth, disciplined cost control, and operational efficiency improvements.

Hinduja Housing Finance

Hinduja Housing Finance sustained steady growth in its loan book with healthy asset quality. The subsidiary is expected to leverage synergies within the Ashok Leyland ecosystem for cross-selling opportunities, although interest rate movements will influence profitability.

Exports

Exports delivered healthy growth, with strong traction in Africa, the Middle East, and SAARC markets. Continued strategic focus on left-hand-drive markets and expansion into new geographies should lift export contribution, though geopolitical risks remain a factor.

Aftermarkets

Aftermarket revenue saw a notable rise, driven by higher fleet utilization and increased sales of genuine parts. This high-margin, recurring revenue stream is expected to expand further with the rollout of service contracts and adoption of digital parts platforms.

LCV

The LCV segment recorded growth, supported by the Phoenix platform and rising rural demand. Anticipated recovery in rural consumption and strong e-commerce activity should sustain the momentum.

MHCV

MHCV volumes were supported by infrastructure-led demand and fleet replacement cycles. A continued push in infrastructure projects and stable freight rates are likely to support growth in this segment.

Buses

Bus sales improved due to revival in school, staff transport, and intercity travel segments. The ongoing adoption of electric buses will further strengthen this segment's performance in the coming years.

Debt

Net debt reduced year-on-year on the back of strong operating cash flows. The company aims to maintain a lean balance sheet in FY26, ensuring financial flexibility for strategic moves.

Cash

Cash reserves improved through disciplined working capital management and strong operational performance. The robust liquidity position allows the company to fund capex plans and pursue strategic investments without stress on the balance sheet.

Industry

The CV industry continues to benefit from infrastructure activity, mining sector demand, and fleet replacement cycles, while LCVs are gaining from consumption growth. FY26 is expected to be a steady growth year for the industry, although monsoon impact, fuel prices, and macroeconomic conditions will require close monitoring.

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

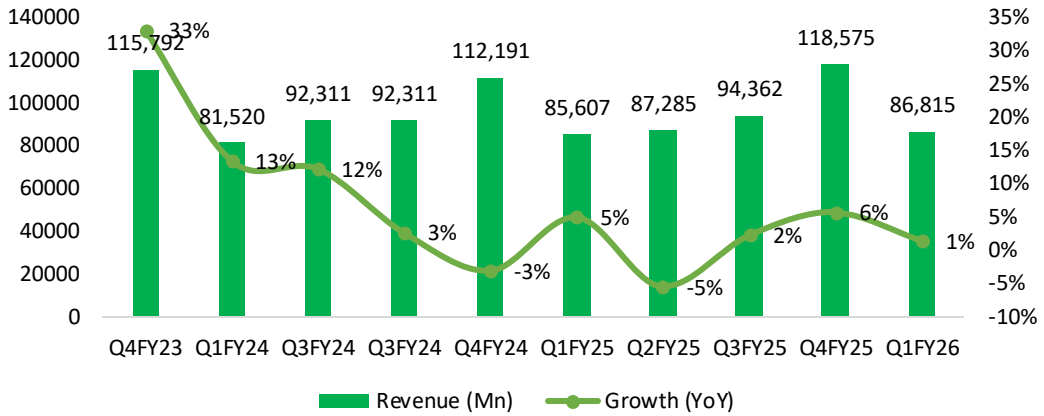


Exhibit 4 : EBITDA margin trend

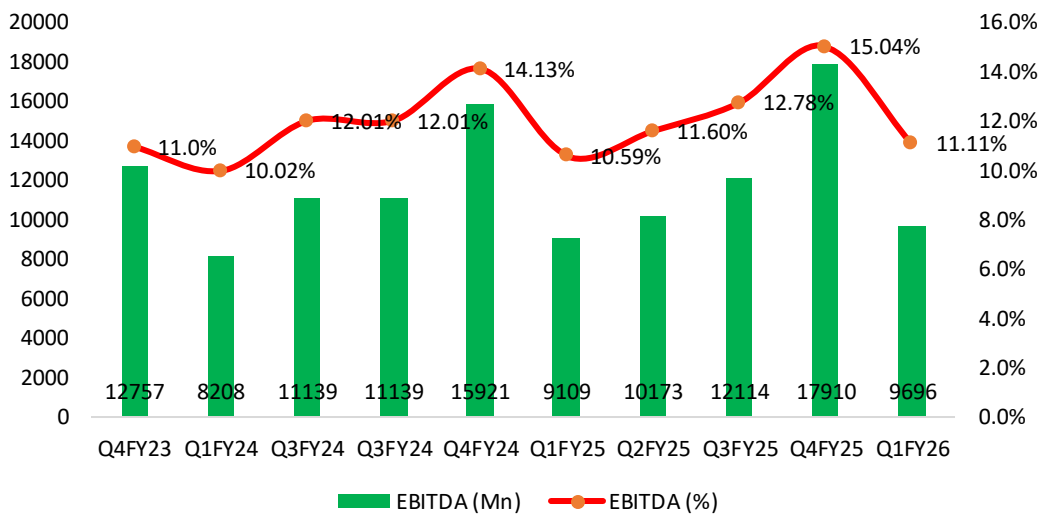
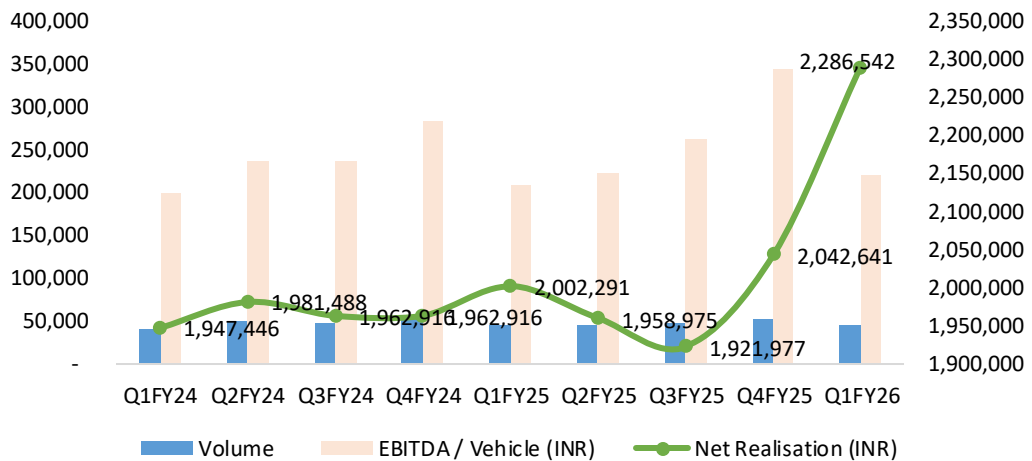


Exhibit 5: Volume expected to increase in the coming quarters



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	290,309	311,100	337,221
Employee Cost	24,063	27,672	31,823	36,596
Admin Expenses	37,931	38,572	40,750	44,485
Total expenses	338,222	356,553	383,672	418,302
EBIDTA	49,306	49,473	54,496	60,026
(%)	12.7%	12.2%	12.4%	12.5%
Depreciation	7,193	8,042	8,887	9,797
EBIT	42,112	41,431	45,609	50,229
Interest	2,169	1,190	1,648	2,115
Other income	2,503	2,553	2,604	2,656
PBT	42,446	42,794	46,565	50,770
Exchange gain / (loss) on swap contracts				
(-) Tax	10,450	7,843	8,933	10,149
Tax/ PBT	24.6	18.3	19.2	20.0
PAT	31,996	34,950	37,632	40,621
YoY (%)	18.0	9.2	7.7	7.9
PAT(%)	8.3%	8.6%	8.6%	8.5%
Extraordinary	1,037.30	-	-	-
Reported Profit	33,033	34,950	37,632	40,621

B/S/Sheet (INR mn) Standalone	FY25	FY26E	FY27E	FY28E
Equity capital	2,937	5,874	5,874	5,874
Reserves	112,251	118,984	129,295	140,425
Net worth	115,188	124,857	135,169	146,299
Total Loans	14,817	21,792	28,907	36,163
Deferred Tax	5,478.90	-	-	-
Total Liabilities	135,484	146,650	164,075	182,462
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	37,382	38,355	41,575
Debtors	28,873	33,372	36,014	39,315
Cash	27,060	26,463	27,465	31,299
Loans and advances	15,110	29,604	36,236	49,015
Current assets	106,903	126,821	138,069	161,204
Current liabilities	81,130	94,421	92,592	100,488
Provisions	21,484	14,707	15,871	17,326
Net current assets	4,289	17,694	29,606	43,390
Total Assets	135,484	146,650	164,075	182,462

Cash Flow Standalone	FY25	FY26E	FY27E	FY28E
Net profit	33,033	34,950	37,632	40,621
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)	(13,503)	(10,413)	(9,451)
Operating cash flow	23,016	24,965	31,582	36,443
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	12,965	17,582	22,443
Dividend	(14,322)	(25,281)	(27,321)	(29,491)
Equity	8,373.60	-	-	-
Debt	(8,177)	6,975	7,114	7,257
Financing cash flow	(14,125)	(18,306)	(20,206)	(22,234)
Net change in cash	(13,239)	1,893	(3,025)	(192)
Opening cash	34,382	27,060	26,463	27,465
Closing cash	27,060	26,463	27,465	31,299

Key Ratios	FY25	FY26E	FY27E	FY28E
EPS	11.2	6.0	6.4	6.9
Cash EPS	13.7	7.3	7.9	8.6
Book value	39	21	23	25
P/E (x)	10.9	20.5	19.1	17.7
EV/EBDITA (x)	5.7	13.3	12.1	11.1
P/B (x)	3.1	5.7	5.3	4.9
EV/Sales	0.7	0.7	0.7	0.6
ROCE	28%	26%	25%	25%
ROE	32%	29%	29%	29%
Dividend Yield	5.1%	2.9%	3.1%	3.4%
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: Arianth 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