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Q4FY26 - Result Update
1st June 2026

Ashok Leyland Ltd.

Robust Earnings Beat with Structural CV Tailwinds

CMP: INR 155

Rating: Accumulate

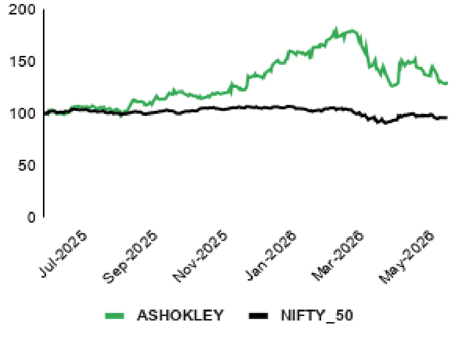
Target Price: INR 181

Stock Info	
BSE	500477
NSE	ASHOKLEY
Bloomberg	AL:IN
Reuters	ASOK.NS
Sector	Auto-LCVS & HCVS
Face Value (INR)	1
Mkt Cap (INR Bn)	913.03
52w H/L (INR)	215/115

Shareholding Pattern % *(As on March, 2026)*	
Promoters	51.51
Public	24.57
DII	13.06
Others	10.79

Stock Performance (%)	1m	6m	12m
Ashok Leyland	-2.6	-2.3	32.6
Nifty	-2.4	10.0	4.7

Ashok Leyland Vs Nifty



Abhishek Jain
Abhishek.jain@arihantcapital.com
022-42254827

Ashvath Rajan
Ashvath.rajan@arihantcapital.com
022-42254870

Ashok Leyland Ltd (AL) reported great set of numbers Standalone revenue stood at INR 1,40,750 Mn registering a growth of up by 18.7% YoY/ up 22.6% QoQ. (slightly below our estimate of INR 142,880 Mn). EBITDA stood at INR 20,655 Mn up by 15.3%QoQ/ up 34.6% YoY. (above with our estimates of INR 18,942 Mn). On the margins front, EBITDA margin is up by 130ps QoQ, down -43bps YoY to 14.7% (above with the estimate of 13.3%). Standalone PAT grew by +12.8%YoY/+76.5% QoQ to INR 14,047 Mn (above our estimates INR 12,789 Mn). EPS stood at INR 2.39 in Q4FY26 against INR 1.61 in Q3FY26.

Margin Improvement and richer product mix

EBITDA margins for FY26 reached 13.0%, aided by an improving product mix and sustained pricing actions. The company continues to focus on premium, higher-margin segments such as Heavy Duty Trucks and Tippers, particularly the Hippo and Taurus platforms, which are witnessing healthy traction. Despite elevated steel and copper costs, AL has maintained pricing discipline through price hikes, including a 1.0% hike in January. Coupled with ongoing value engineering initiatives and rising contribution from M&HCVs, the margin trajectory remains favorable even in a moderated demand environment.

Profitable EV segment with Localised Battery Ecosystem as a Key Margin Lever

The company's EV subsidiary, Switch Mobility, reported a PAT of INR 1,040 Mn, from a loss of INR 620 Mn in FY25 marking a key milestone in AL's EV portfolio. Switch continues to strengthen its position in electric buses and the 2-4T e-LCV segment. To enhance supply chain control and improve cost efficiencies, the company is setting up a greenfield battery pack facility near Chennai, with production expected to commence from Q2 FY27. The facility will initially cater to captive EV requirements before scaling into external and energy storage applications, supporting long-term margin expansion through backward integration.

Robust Non-Vehicle and Defence Order Pipelines

The company is diversifying its revenue base beyond cyclical trucks with Defense and Non-Vehicle segments showing high growth. The Defense order book stood at a high of over INR 15,000 Mn, with management targeting sustained 20% growth in this segment over the next 2-3 years. Additionally, non-vehicle revenues, including Spares (INR 10,600 Mn in Q4) and Power Solutions, are demonstrating strong momentum. The high fleet age (at an all-time high) and the resilient replacement demand triggered by GST rationalisation ensure a strong baseline for domestic volumes, while international expansion into four new countries provides a secondary growth engine.

Capital-Light Growth with No Capacity Constraints

The company incurred a capex of INR 10,500 Mn over FY26. A substantial portion of this investment was deployed toward alternate powertrain technologies, future technology development and the creation of new product capabilities. The capex outlay near Chennai is has already been completed and production is targeted to start in Q2 FY27. Capex for FY27 is guided to be in a phased approach. For FY27 management expects to incur capex in the range of INR 7,500 Mn to INR 10,000 Mn. The company continues to focus of premiumisation and continues to launch new products, such as the Hippo tractors, Taurus tippers, and Phoenix LCV for export markets, to gain market share. The company maintains a strong capital position to fund these initiatives, ending FY26 with a net cash position of INR 58,990 Mn. We see this capex outlay as a very strategic fit to cater to growing demand in defence based and Non-ICE orders.

Outlook and valuation

Ashok Leyland is expected to benefit from a strong replacement-led cycle over the next 3-4 quarters, supported by elevated fleet ageing and healthy Vahan-led demand trends. Management expects high double-digit growth during Apr-Oct FY27 on a favourable base, while Q1FY27 growth is likely to moderate but remain positive. Margin recovery is expected to be gradual, aided by ~60+ bps pricing actions already undertaken, improving mix towards higher-margin heavy-duty vehicles, despite elevated raw material costs. Exports are expected to sustain ~20-30% growth, while capex intensity remains modest over the next 2-3 years with no major capacity constraints anticipated.

We estimate a revenue/EBITDA/PAT CAGR of ~9.5%/~11.3%/~9.1% over FY26-28E. We upgrade the stock to ACCUMULATE from HOLD and value Ashok Leyland on an SOTP basis, assigning 22x FY28E EPS of INR 7.5 to the core business while factoring in INR ~16/share for HLF, arriving at a target price of INR 181.

Quarterly Results					
Standalone (INRm)	Q4FY26	Q3FY26	Q4FY25	QoQ%	YoY%
Revenue	140,750	114,775	118,575	22.6%	18.7%
Other operating income	855	563	492	51.7%	73.6%
Net Sales	141,605	115,339	119,067	22.8%	18.9%
Cost of material consumed	95,355	75,902	73,720	25.6%	29.3%
Purchases of stock-in-trade	4,851	4,439	4,634	9.3%	4.7%
Changes in inventories	847	2,912	5,674	-70.9%	-85.1%
Raw Material	101,053	83,253	84,028	21.4%	20.3%
Staff Cost	7,216	6,252	6,515	15.4%	10.8%
Other expenditure	12,681	10,484	10,614	21.0%	19.5%
Total Expenditure	120,950	99,988	101,158	21.0%	19.6%
EBITDA	20,655	15,350	17,910	34.6%	15.3%
Depreciation	1,826	1,775	1,789	2.9%	2.1%
EBIT	18,829	13,576	16,121	38.7%	16.8%
Interest	421	438	471	-4.0%	-10.7%
Other Income	683	593	1,059	15.3%	-35.5%
PBT	19,091	13,730	16,573	39.1%	15.2%
Exceptional items	-				
PBT	19,091				
Current Tax	4,998	2,707	5,846	84.7%	-14.5%
Deferred tax	46	(22)	(1,732)	-312.0%	-102.7%
Tax	5,044	2,685	4,114	87.9%	22.6%
PAT	14,047	7,960	12,459	76.5%	12.8%
Extraordinary	-	-	-		
Reported PAT	14,047	7,960.2	12,458.7	76.5%	12.8%
EPS	2.39	1.36	4.24	75.7%	-43.6%
Margins	Q4FY26	Q3FY26	Q4FY25	QoQ%	YoY%
Gross margins	28.6%	27.8%	29.4%	82Bps	-79Bps
EBITDA	14.59%	13.31%	15.0%	128Bps	-46Bps
PAT	9.9%	6.9%	10.5%	302Bps	-54Bps
Effective Tax Rate	26.4%	19.6%	24.8%	687Bps	160Bps
Cost Analysis					
RM/Net Sales	71.36%	72.18%	70.57%	-82Bps	79Bps
Other Exp/Net Sales	8.96%	9.09%	8.91%	-13Bps	4Bps
Staff cost/Net sales	5.10%	5.42%	5.47%	-32Bps	-38Bps
Volume (In Units)	Q4FY26	Q3FY26	Q4FY25	QoQ%	YoY%
MHCV	42,335	36,122	28,953	17.2%	46.2%
LCV	16,416	19,997	16,457	-17.9%	-0.2%
Total Sales	58,751	56,119	45,410	4.7%	29.4%
EXPORT	75,167	76,116	61,867	-1.2%	21.5%
M&HCV	4,158	1,254	5,391	231.6%	-22.9%
LCV	6,549	252	1,272	2498.8%	414.9%
Total Exports	10,707	1,506	6,663	611.0%	60.7%
Total Volume	69,458	57,625	52,073	20.5%	33.4%

Source: Arihant Research, Company Filings

Ashok Leyland Ltd – Q4FY26 Earnings Call KTAs
CMP - INR 164 | Mcap - INR 961 Bn

Capacity Expansion & Growth Pipeline
• Battery Facility: Greenfield battery pack facility at Pillevakam (near Chennai); production start targeted for Q2 FY27.
• EV Strategy: Phased approach starting with battery packs for captive and ESS demand, followed by non-captive automotive packs and eventual cell manufacturing.
• Product Launches: Introduced Hippo tractors and Taurus tippers; expanded LCV range with 4.1-ton Baru and Phoenix for export markets.
• Network: Added over 200 touchpoints in FY26, bringing the total network to 2,104.
Balance Sheet & Capital Position
• Cash Position: Strong liquidity with net cash of INR 58,990 Mn as of March 31, 2026, up by INR 16,500 Mn YoY.
• Subsidiary Funding: AL plans to invest in OHM (e-mass mobility) and finance subsidiaries (HLF/HHF) based on growth requirements.
• Working Capital: Significant cash jump in Q4 attributed to typical year-end working capital cycles in the CV industry.
• Debt: Repaid USD 30 Mn of the USD 80 Mn loan in Switch UK.
Strategy
• Defense: Order book is at a historic high of over INR 15,000 Mn, with management targeting sustained 20% growth over the next 2–3 years.
• Electric Vehicles (Switch): Achieved market leadership in e-buses and 2–4 ton e-LCVs; FY26 PAT stood at INR 1,000 Mn+.
• International: Expanded into four new countries in FY26, though Q4 export volumes (5,322 units) were hit by international logistics issues.
• Margin Improvement: Cross-functional teams formed to target controllable operating expenses and neutralize commodity pressures.
Industry Demand and Market Share
• Demand Environment: Robust in mining-heavy states (Maharashtra, Odisha, Chhattisgarh); M&HCV demand showing resilience despite higher diesel prices.
• Pricing: Industry remains disciplined; AL took a 1.5% hike from April 1st to offset steel and commodity inflation.
• Fuel/Logistics: Diesel price hikes of ~INR 7 are manageable; fleet operators are maintaining expansion plans unless hikes exceed INR 10–15.
• Volumes: Total CV volumes hit an all-time high of 220,437 units in FY26. Q4 LCV volumes grew 23% YoY to 21,801 units.
• Market Share: LCV market share increased to 12.8% in Q4 (+90 bps YoY); domestic aftermarket revenue grew 11.2% YoY in Q4.
• Realizations: Gross margins improved due to a 1% price hike in January and successful value engineering, despite material costs rising to 71.4% of revenue.
• Efficiency: Capacity utilization at the RAK factory is being ramped back to 100% after local logistical disruptions in March/April.
Outlook: Ashok Leyland has delivered good FY26 numbers, marked by the entry into double-digit EBITDA margins and the net profitability of its EV arm, Switch India. Demand visibility remains healthy for FY27, anchored by infrastructure spending and a strong Defense order book (INR 15,000 Mn). While commodity headwinds may impact Q1 margins, the company's ability to sustain price hikes and its shift toward a better product mix (Heavy Duty Trucks/Tippers) are key margin levers.

Exhibit 3: Revenue trend and expecting growth led by new launches, Q1FY27 expected to be slightly tepid

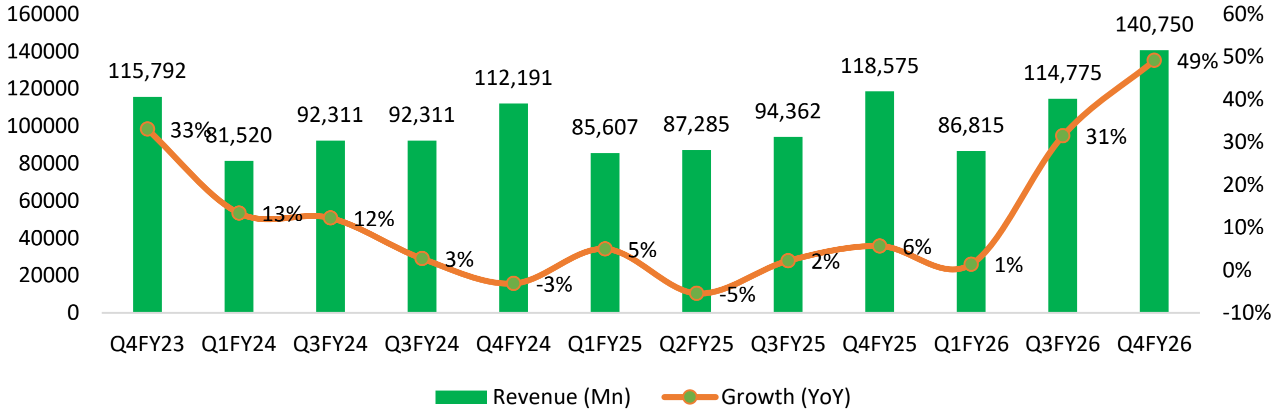


Exhibit 4 : EBITDA margin trend

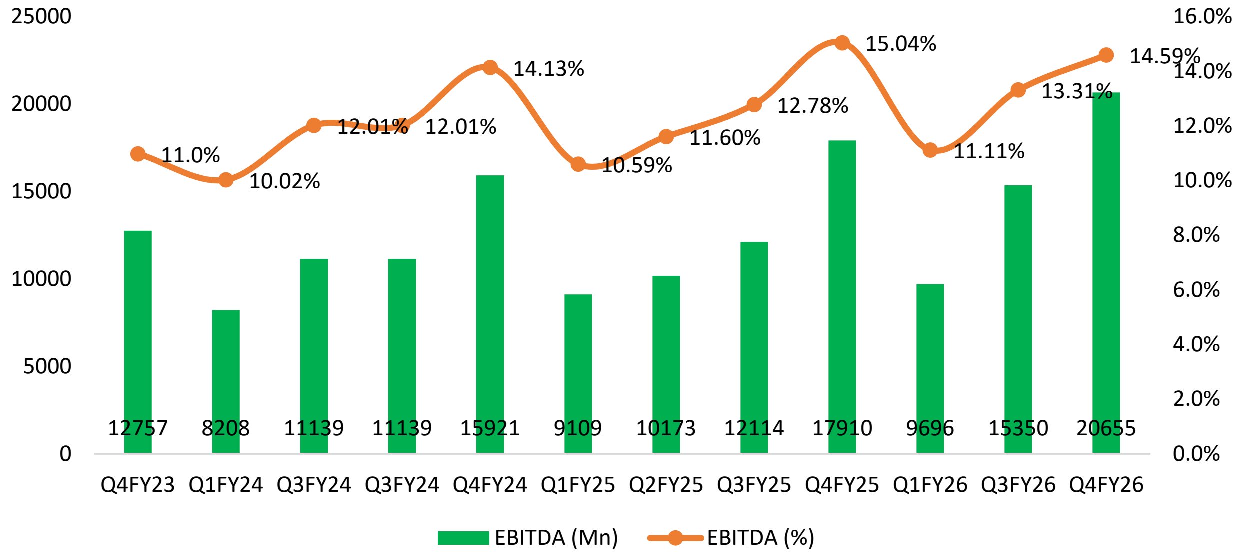
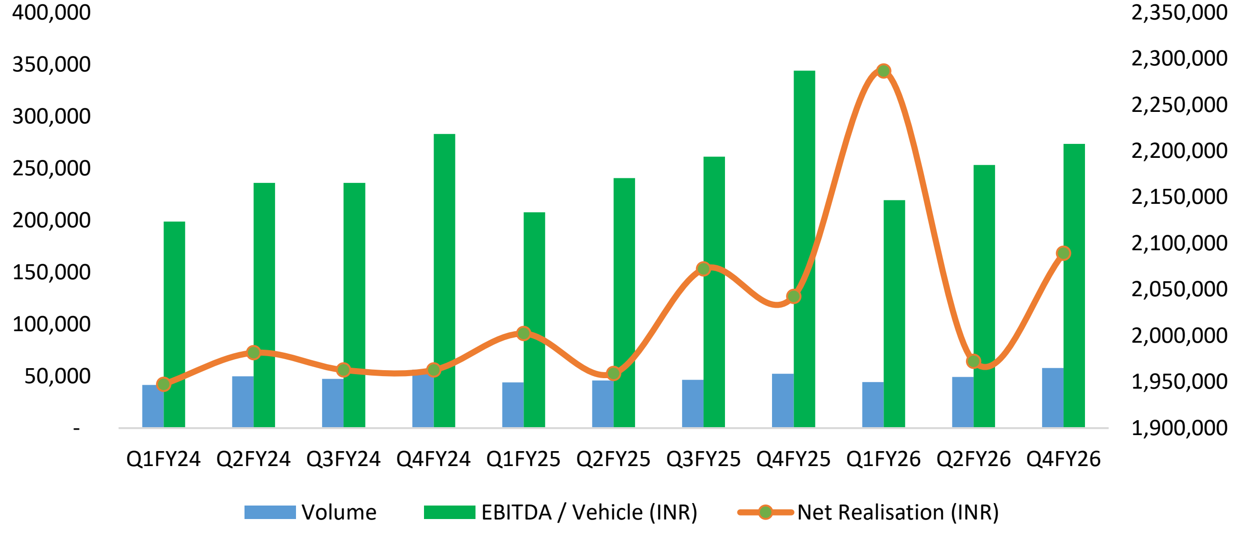


Exhibit 5: Volume expected to increase in the coming quarters



Source: Arihant Research, Company Filings

P&L (INR mn) Standalone	FY25	FY26	FY27E	FY28E
Net sales	3,87,527	440,070	467,600	508,321
YoY (%)	1.0	13.6	6.3	8.7
Raw material cost	2,76,228	314,171	334,801	361,416
Employee Cost	24,063	26,067	29,977	34,473
Admin Expenses	37,931	42,510	41,616	44,732
Total expenses	3,38,222	382,748	406,395	440,622
EBIDTA	49,306	57,322	61,205	67,699
(%)	12.7%	13.0%	13.1%	13.3%
Depreciation	7,193	7,152	8,887	9,797
EBIT	42,112	50,171	52,318	57,902
Interest	2,169	1,697	682	490
Other income	2,503	3,152	3,215	3,279
PBT	42,446	51,625	54,851	60,691
Exchange gain / (loss) on swap contracts	-	-	-	-
(-) Tax	10,450	12,485	15,024	16,601
Tax/ PBT	24.6	24.2	27.4	27.4
PAT	**31,996**	**35,655**	**39,827**	**44,090**
YoY (%)	18.0	22.3	1.8	10.7
PAT(%)	8.3%	8.1%	8.5%	8.7%
Extraordinary	1,037.30	-	-	-
Reported Profit	**33,033**	**35,655**	**39,827**	**44,090**

B/Sheet (INR mn)Standalone	FY25	FY26	FY27E	FY28E
Equity capital	2,937	5,874	5,874	5,874
Reserves	1,12,251	125,260	136,173	148,254
Net worth	1,15,188	131,134	142,046	154,127
Total Loans	14,817	11,950	9,026	6,044
Deferred Tax	5,478.90	5,357.10	-	-
Total Liabilities	**1,35,484**	**148,441**	**151,073**	**160,171**
Gross block	1,17,722	129,722	143,722	157,722
Less: Acc. Dep	52,436	59,587	68,474	78,271
Net block	65,286	70,134	75,247	79,450
Work in progress	2,769	2,100	2,100	2,100
Investments	63,140	69,206	65,993	66,393
Inventories	35,861	40,786	41,277	44,558
Debtors	28,873	29,504	38,433	41,780
Cash	27,060	22,771	4,625	(1,419)
Loans and advances	15,110	17,141	39,837	53,262
Current assets	1,06,903	110,202	124,172	138,181
Current liabilities	81,130	94,383	99,503	107,541
Provisions	21,484	8,817	16,937	18,412
Net current assets	4,289	7,001	7,733	12,228
Total Assets	**1,35,484**	**148,441**	**151,073**	**160,171**

Source: Arihant Research, Company Filings

Cash Flow Standalone	FY25	FY26	FY27E	FY28E
Net profit	33,033	35,655	39,827	44,090
Depreciation	7,193	7,152	8,887	9,797
Deferred tax	-4,524	214	214	214
Change in W/C	-12,686	(6,503)	(18,378)	(10,041)
Operating cash flow	23,016	36,519	30,550	44,061
Capex	-13,813	(11,331)	(14,000)	(14,000)
Investments	-8,317	(1,545)	(273)	(401)
Investing cash flow	-22,130	(12,876)	(14,273)	(14,401)
FCF	**9,203**	**25,187**	**16,550**	**30,061**
Dividend	-14,322	-15,634	-27,661	-30,596
Equity	8,373.60	-	-	-
Debt	-8,177	(2,867)	7,114	7,257
Financing cash flow	-14,125	-18,659	-20,546	-23,340
Net change in cash	-13,239	2,358	-2,914	-22
Opening cash	34,382	27,060	26,928	28,041
Closing cash	27,060	26,928	28,041	32,046

Key Ratios	FY25	FY26	FY27E	FY28E
EPS	11.2	6.0	6.8	7.5
Cash EPS	13.7	7.3	8.3	9.2
Book value	39	22	24	26
P/E (x)	18.3	30.9	30.4	27.4
EV/EBDITA (x)	10.7	19.7	18.7	17.0
P/B (x)	5.2	9.2	8.5	7.8
EV/Sales	1.4	1.2	1.2	1.1
ROCE	28%	29%	27%	29%
ROE	32%	32%	29%	30%
Dividend Yield	3.0%	1.8%	2.0%	2.2%
Gross asset turn	3.1	3.1	3.1	3.3
Days outstanding				
Inventory	47	47	45	45
Debtors	30	24	30	30
Creditors	90	91	90	90

Source: Arihant Research, Company Filings

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	6 Lad Colony,
Andheri Ghatkopar Link Road	Y.N. Road,
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 4217100/101
Tel: (91-22) 42254800	CIN: L66120MP1992PLC007182

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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

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

Abhishek Jain
Head of Research
Abhishek.jain@arihantcapital.com