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Q1FY27 - Result Update
17th June 2026

Ashok Leyland Ltd.

Volume Recovery Supports Growth; Cost Pressures Remain Near-Term Headwind

CMP: INR 179

Rating: HOLD

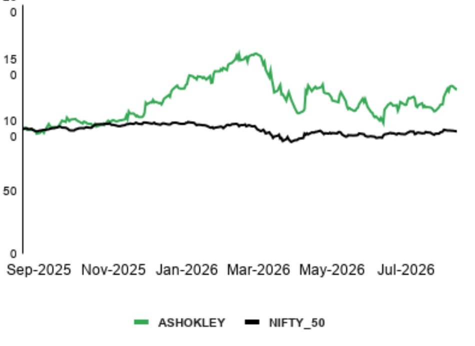
Target Price: INR 196

Stock Info	
BSE	500477
NSE	ASHOKLEY
Bloomberg	AL:IN
Reuters	ASOK.NS
Sector	Auto-LCVS & HCVS
Face Value (INR)	1
Mkt Cap (INR Bn)	1024.4
52w H/L (INR)	215/125

Shareholding Pattern % *(As on June, 2026)*	
Promoters	51.51
Public	20.67
DII	15.75
Others	12.06

Stock Performance (%)	1m	6m	12m
Ashok Leyland	11.2	-16.2	41.5
Nifty	1.3	-5.1	-1.1

Ashok Leyland Vs Nifty



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

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

Ashok Leyland Ltd reported Q1FY27 numbers revenue stood at INR 95,828 Mn (+10.4% YoY/-31.9% QoQ); below our estimate of INR 95,828 Mn. EBITDA for the quarter stood at INR 9,695 Mn (flat YoY/-53.1% QoQ); below our estimate of INR 12,100 Mn. EBITDA margin stood at 10.1% (-105bps YoY/-456bps QoQ) below our estimate of 12.4%.PAT stood at INR 6,091 Mn (+2.6% YoY/-56.6% QoQ); below our estimate of INR 7,352 Mn. PAT Margin reported at 6.4% below our estimate of 7.5% (-48bps YoY/-362bps QoQ).

Near-term margin pressure, but recovery remains intact

Q1FY27 EBITDA margin declined 100bps YoY to 10.1%, as raw material costs increased 90bps YoY to 71.5% of revenue due to commodity inflation and supply chain disruptions. While management expects commodity pressure to remain challenging in Q2, Q3-Q4 is expected to display recovery. The company is mitigating the impact through pricing, cost savings, product/business mix and inventory management. Management indicated that the ~1.2-1.25% price increase during Q1, along with cost savings and inventory benefits, offset a significant portion of commodity inflation. We expect margin recovery to remain back-ended, with operating leverage, mix improvement and improvement in commodity pressure supporting EBITDA margin expansion from FY27E to FY29E.

CV demand continues to remain strong

The domestic CV industry remains on a healthy growth trajectory, with MHCV industry volumes growing 13% YoY and LCV VAHAN volumes increasing 17% YoY in Q1FY27 despite geopolitical and supply-chain headwinds. Ashok Leyland outperformed the industry, with domestic MHCV truck volumes growing 15% YoY to 22,998 units, while LCV offtake increased 21% YoY to 18,874 units, the highest-ever Q1 volume for its LCV business. Domestic MHCV market share stood at 29%, while LCV VAHAN market share improved 30bps YoY to 13.2%. We expect the company's broad product portfolio and continued network expansion to support further share gains, particularly in the LCV and higher-HP MHCV segments.

Non-CV provides additional growth levers

The company's non-CV businesses continue to scale, reducing dependence on the core domestic truck business. Domestic aftermarket revenue grew 12.7% YoY, while Power Solutions and Defence revenues increased 51% and 64%, respectively, in Q1FY27. Switch Mobility delivered 225 electric buses and ~300 electric LCVs during the quarter and has a healthy 2,100 electric-bus order book following a recent 650-bus order win. Hinduja Leyland Finance also reported 20% YoY growth in AUM to INR60,310 crore, with PAT increasing 37% YoY. We expect the scaling of these businesses to provide incremental growth and improve the overall earnings mix over the medium term.

Robust Non-Vehicle and Defence Order Pipelines

AL's Defence business continued to scale up, with revenue growing 64% YoY in Q1FY27. Management indicated that the defence order book and tender pipeline remain strong, providing visibility for sustained growth as the company executes on existing orders. Defence is also emerging as an important diversification lever, with significant headroom to expand the business given its relatively higher margin opportunity. We expect increasing execution of defence orders, alongside a healthy tender pipeline, to support growth in the non-CV portfolio and gradually improve the company's overall earnings mix.

Outlook and valuation

We remain positive on the medium-term CV cycle, supported by healthy industry demand, replacement requirements and Ashok Leyland's continued market-share gains. However, near-term profitability is likely to remain under pressure from elevated commodity costs, with management indicating that Q2 could remain challenging before an improvement from Q3/Q4. We expect volume growth, higher realizations, premiumization and gradual margin recovery to drive earnings growth over FY27-29E. We estimate revenue/EBITDA/PAT CAGR of ~10.6%/13.5%/14% over FY27E-FY29E, with EBITDA margin improving from 13.3% in FY27E to 14.0% by FY29E based on our current estimates. We maintain our HOLD rating and value Ashok Leyland on an SOTP basis, assigning 20x FY28E EPS of INR 9.1 to the core business while factoring in INR ~16/share for HLF, arriving at a target price of INR 198.

Quarterly Results					
Standalone (INRm)	Q1FY27	Q4FY26	Q1FY26	QoQ%	YoY%
Revenue	95,828	1,40,750	86,815	-31.9%	10.4%
Other operating income	516	855	430	-39.7%	19.8%
Net Sales	96,344	1,41,605	87,245	-32.0%	10.4%
Cost of material consumed	69,206	95,355	63,866	-27.4%	8.4%
Purchases of stock-in-trade	4,769	4,851	4,271	-1.7%	11.7%
Changes in inventories	(5,052)	847	(6,509)	-696.4%	-22.4%
Raw Material	68,924	1,01,053	61,628	-31.8%	11.8%
Staff Cost	6,927	7,216	6,122	-4.0%	13.2%
Other expenditure	10,797	12,681	9,799	-14.9%	10.2%
Total Expenditure	86,648	1,20,950	77,550	-28.4%	11.7%
EBITDA	9,695	20,655	9,696	-53.1%	0.0%
Depreciation	1,829	1,826	1,828	0.2%	0.1%
EBIT	7,866	18,829	7,867	-58.2%	0.0%
Interest	415	421	419	-1.3%	-0.8%
Other Income	851	683	529	24.6%	61.0%
PBT	8,302	19,091	7,977	-56.5%	4.1%
Exceptional items	-				
PBT	8,302	19,091			
Current Tax	2,118	4,998	1,940	-57.6%	9.2%
Deferred tax	93	46	100	101.7%	-7.2%
Tax	2,211	5,044	2,040	-56.2%	8.4%
PAT	6,091	14,047	5,937	-56.6%	2.6%
Extraordinary	-	-	-		
Reported PAT	6,091	14,047.2	5,937.3	-56.6%	2.6%
EPS	1.04	2.39	1.01	-56.5%	3.0%
Margins	Q1FY27	Q4FY26	Q1FY26	QoQ%	YoY%
Gross margins	28.5%	28.6%	29.4%	-18Bps	-90Bps
EBITDA	10.06%	14.59%	11.1%	-452Bps	-105Bps
PAT	6.3%	9.9%	6.8%	-360Bps	-48Bps
Effective Tax Rate	26.6%	26.4%	25.6%	21Bps	106Bps
Cost Analysis					
RM/Net Sales	71.54%	71.36%	70.64%	18Bps	90Bps
Other Exp/Net Sales	11.21%	8.96%	11.23%	225Bps	-3Bps
Staff cost/Net sales	7.19%	5.10%	7.02%	209Bps	17Bps
Volume (In Units)	Q1FY27	Q4FY26	Q1FY26	QoQ%	YoY%
MHCV	27,428	42,335	26,635	-35.2%	3.0%
LCV	18,874	16,416	17,697	15.0%	6.7%
Total Sales	46,302	58,751	44,332	-21.2%	4.4%
EXPORT	65,176	75,167	62,029	-13.3%	5.1%
M&HCV	1,996	4,158	4,083	-52.0%	-51.1%
LCV	465	6,549	701	-92.9%	-33.7%
Total Exports	2,461	10,707	4,784	-77.0%	-48.6%
Total Volume	48,763	69,458	49,116	-29.8%	-0.7%

Source: Arihant Research, Company Filings

Volume & Market Share: Ashok Leyland's Q1FY27 volumes stood at 48,673 units, while revenue increased 10% YoY to INR 96,340 Mn. Domestic MSCV market share remained at 29%, while LCV market share improved by 30bps YoY to 13.2%. Industry momentum improved through the quarter, with June and July recording ~20% growth after a relatively weak May. Management expects domestic MSCV industry volumes to grow at high-single digits in FY27, with LCV growth expected to be marginally higher.

Margin TrajectoryQ1FY27 EBITDA stood at INR 9,700 Mn, translating into a 10.1% margin, with material costs at 71.5% of revenue. Management expects commodity inflation to peak in Q2FY27 and moderate thereafter, with greater cost relief expected in Q4. Price increases of ~2.25% in MSCV and ~3.5% in LCV during FY27, along with product mix improvement and the 2K cost-reduction programme, should partly offset input-cost inflation. The pace of commodity moderation and price absorption remain key margin monitorables.

Defence and EV businesses: The Defence business recorded 64% YoY revenue growth in Q1FY27, with the order book and tender pipeline remaining active. Switch Mobility has an order book of 2,100 electric buses, having delivered 225 buses and nearly 300 LCVs during the quarter, while OHM Mobility is progressing towards PAT break-even. These businesses remain relatively early-stage contributors, with execution and profitability improvement being key to their contribution to consolidated earnings.

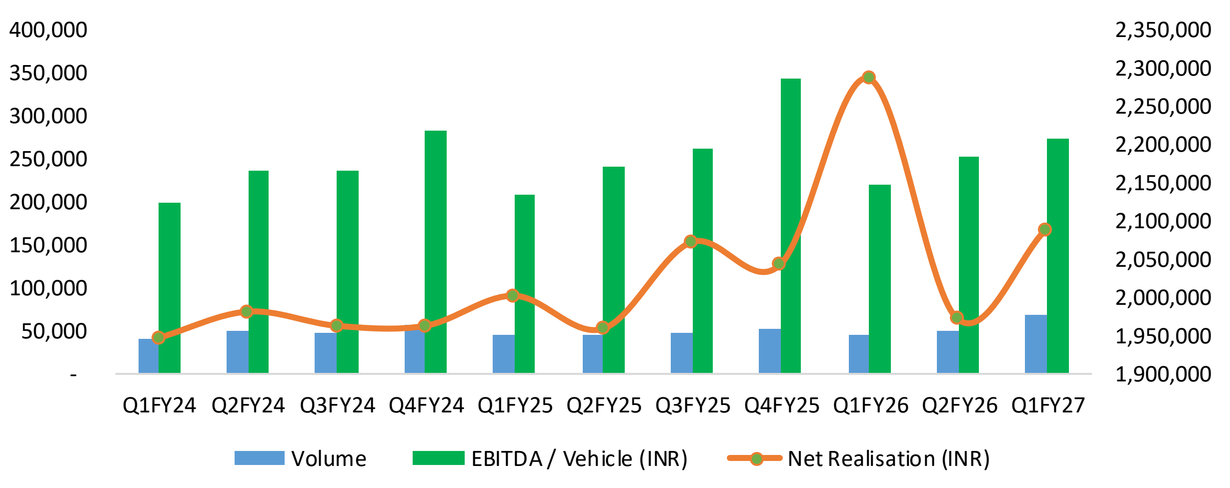
LCV Portfolio: Ashok Leyland plans to expand its presence across the LCV range, beyond its historical participation in ~50% of the segment. A broader product portfolio should increase the company's addressable market and provide scope for further market share gains as LCV demand improves. The 13.2% LCV market share in Q1FY27, up 30bps YoY, provides an initial indication of progress.

International Business: GCC volumes remained affected by logistical issues in the UAE, although management expects a recovery through the year. The company is accelerating its Saudi Arabia plant and is evaluating ASEAN as its fourth home market. These initiatives should broaden Ashok Leyland's international presence, although near-term contribution from the new markets is likely to remain limited.

Strong balance Sheet: Ashok Leyland remained in a net cash position of INR 22,520 Mn, up INR 4,310 Mn YoY. Q1FY27 capex stood at INR 15,330 Mn, with investments directed towards future technologies, alternate powertrains and EVs. Full-year capex is expected at INR 9,000–10,000 Mn, while the company plans to support Switch Mobility through USD 25 Mn of debt repayment in FY27. The balance sheet provides flexibility to fund ongoing investments without materially constraining financial capacity.

Replacement Demand: Management remains constructive on the underlying CV demand environment, supported by the 6.7% GDP growth outlook and replacement demand from ageing BS3/BS4 fleets. The company does not expect BS7 implementation for Indian CVs before 2031-32, limiting the near-term risk of regulatory-driven product transition costs. Industry volume recovery and replacement demand remain the key drivers for the medium-term CV cycle.

Exhibit 5: EBITDA/Vehicle expected to increase in Q3/Q4



P&L (INR mn) Standalone	FY26	FY27E	FY28E	FY29E
Net sales	440,070	471,542	521,870	576,643
YoY (%)	13.6	7.2	10.7	10.5
Raw material cost	314,171	336,209	370,528	405,957
Employee Cost	26,067	29,977	34,473	38,955
Admin Expenses	42,510	42,439	45,925	50,745
Total expenses	382,748	408,625	450,926	495,657
EBIDTA	57,322	62,917	70,944	80,987
(%)	13.0%	13.3%	13.6%	14.0%
Depreciation	7,152	8,887	9,797	10,707
EBIT	50,171	54,030	61,147	70,280
Interest	1,697	682	490	294
Other income	3,152	3,215	3,279	3,345
PBT	51,625	56,563	63,937	73,331
Exchange gain / (loss) on swap contracts	-	-	-	-
(-) Tax	12,485	15,486	17,477	20,014
Tax/ PBT	24.2	27.4	27.3	27.3
PAT	**39,140**	**41,077**	**46,459**	**53,317**
YoY (%)	22.3	4.9	13.1	14.8
PAT(%)	8.9%	8.7%	8.9%	9.2%
Extraordinary	-	-	-	-
Reported Profit	**39,140**	**41,077**	**46,459**	**53,317**

B/Sheet (INR mn)Standalone	FY26	FY27E	FY28E	FY29E
Equity capital	5,874	5,874	5,874	5,874
Reserves	125,260	136,515	149,245	163,854
Net worth	131,134	142,389	155,119	169,728
Total Loans	11,950	9,026	6,044	3,001
Deferred Tax	5,357.10	-	-	-
Total Liabilities	**148,441**	**151,415**	**161,162**	**172,729**
Gross block	129,722	143,722	157,722	171,722
Less: Acc. Dep	59,587	68,474	78,271	88,978
Net block	70,134	75,247	79,450	82,744
Work in progress	2,100	2,100	2,100	2,100
Investments	69,206	65,993	66,393	66,793
Inventories	40,786	41,450	45,681	50,049
Debtors	29,504	38,757	42,893	47,395
Cash	22,771	4,787	(790)	5,441
Loans and advances	17,141	40,153	54,616	60,094
Current assets	110,202	125,147	142,401	162,980
Current liabilities	94,383	99,993	110,279	121,001
Provisions	8,817	17,080	18,903	20,887
Net current assets	7,001	8,075	13,219	21,093
Total Assets	**148,441**	**151,415**	**161,162**	**172,729**

Source: Arihant Research, Company Filings

Cash Flow Standalone	FY26	FY27	FY28E	FY29E
Net profit	35,655	41,077	46,459	53,317
Depreciation	7,152	8,887	9,797	10,707
Deferred tax	214	214	214	214
Change in W/C	-6,503	-18,558	-10,224	-1,144
Operating cash flow	36,519	31,619	46,247	63,094
Capex	-11,331	-14,000	-14,000	-14,000
Investments	-1,545	-273	-401	-401
Investing cash flow	-12,876	-14,273	-14,401	-14,401
FCF	**25,187**	**17,619**	**32,247**	**49,094**
Dividend	#VALUE!	-29,822	-33,730	-38,708
Equity	#VALUE!	0.00	(0.00)	-
Debt	-2,867	-2,924	-2,983	-3,042

Key Ratios	FY26	FY27E	FY28E	FY29E
EPS	6.7	7.0	7.9	9.1
Cash EPS	7.3	8.5	9.6	10.9
Book value	22	24	26	29
P/E (x)	30.9	29.4	26.0	22.7
EV/EBDITA (x)	19.7	18.2	16.2	14.1
P/B (x)	9.2	8.5	7.8	7.1
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	45	45	45
Debtors	24	30	30	30
Creditors	91	90	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

Abhishek Chhajed Jain

Digitally signed by Abhishek Chhajed Jain
Date: 2026.08.17 09:52:37 +05'30'