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Q3FY26 - Result Update
12th Feb 2026

Ashok Leyland Ltd.

Strong Earnings Beat with Structural CV Tailwinds

CMP: INR 206

Rating: Hold

Target Price: INR 224

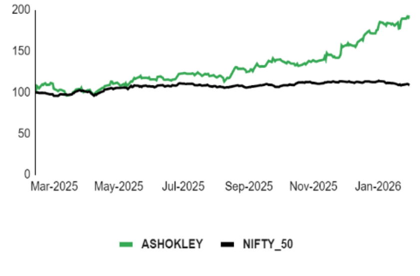
Stock Info	
BSE	500477
NSE	ASHOKLEY
Bloomberg	AL:IN
Reuters	ASOK.NS
Sector	Auto-LCVS & HCVS
Face Value (INR)	1
Equity Capital (INR mn)	2,936
Mkt Cap (INR Bn)	1212
52w H/L (INR)	215/95.9

Shareholding Pattern %
(As on Dec, 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	1.05	1.01	12.49

Ashok Leyland Vs Nifty



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Ashok Leyland Ltd (AL) has reported good set of numbers Standalone revenue stood at INR 114,775 Mn registering a growth of up by 21.6% YoY/ up 20.3% QoQ. (Above with our estimates of INR 112,998 Mn).EBITDA stood at INR 15,350 Mn up by 32.1%QoQ/ up 26.7% YoY. (above with our estimates of INR 14,650 Mn). On the margins front, EBITDA margin is up by 119bps QoQ/+53bps YoY to 13.31% (above with the estimate of 13.0%). Standalone PAT by +4.5%YoY/+3.2% QoQ to INR 7,960 Mn and Adj PAT stood at INR 11,045 Mn (well above our estimates INR 9,630 Mn). Exceptional of INR -3085 Mn EPS stood at INR 1.36 in Q3FY26 against INR 1.31 in Q2FY26.

GST-Led Structural Replacement Cycle

The CV industry is entering a replacement upcycle as average fleet age has increased from ~7.5 years to ~10.5 years, creating pent-up demand. GST rate rationalization has improved total cost economics, triggering replacement decisions across both retail and institutional buyers. Order visibility extends 3–4 quarters ahead, supported by improving freight availability and firm freight rates. FY27 volumes are expected to grow strongly, with April–October likely to witness high double-digit growth on a low base. Even in November–March, growth is expected to remain positive despite a higher base. This structural demand shift reduces cyclicality and improves medium-term earnings visibility.

Strong Volume Growth with Market Share Gains

Domestic MHCV volumes have been growing ahead of industry, with 9M FY26 market share at ~30.9% (+60 bps YoY), providing a strong base for FY27. LCV volumes are also scaling rapidly, with Q3 FY26 market share at ~12.1% (+70 bps YoY), aided by new product launches. Industry volume growth is expected to remain healthy through FY27, supported by infrastructure spend and freight demand. Ashok Leyland is well positioned to outgrow the industry by 200–300 bps, driven by product breadth and network expansion. Sustained share gains should translate into operating leverage benefits over the next 12–18 months.

Margin Recovery from Pricing and Mix Normalisation

Near-term margins face pressure with material costs at ~72.2% of revenue (+100 bps QoQ) due to commodity inflation and adverse ICV mix. However, ~60+ bps of pricing recovery has already been implemented via discount reductions in January. As bulk buying returns, the sales mix is expected to normalise toward higher-margin heavy-duty trucks. This mix shift, along with operating leverage from volume growth, should drive gradual EBITDA margin expansion through FY27. Medium-term margins are expected to trend back toward mid-teens levels, barring sharp commodity shocks.

Capital-Light Growth with No Capacity Constraints

Incremental capex requirements remain limited at INR 500–1000 Mn over the next 2–3 years, reflecting adequate existing capacity. Bus body-building capacity is set to scale to ~20,000 units per annum with the Lucknow plant ramp-up. Absence of major capacity investments supports strong free cash flow generation in FY27–FY28. Capital discipline enhances return ratios and limits balance sheet risk. This capital-efficient growth model provides downside protection during industry slowdowns.

Outlook and valuation

Strong volume growth is expected over the next 3–4 quarters, supported by a GST-led replacement cycle as average fleet age has increased from ~7.5 years to ~10.5 years, with FY27 April–October likely to see high double-digit growth on a low base, while November–March may moderate due to a higher base but remain positive overall; near-term margin pressure persists with material costs at ~72.2% of revenue, though ~60+ bps pricing recovery has already been implemented and further improvement is expected as the product mix normalizes toward heavy-duty vehicles, while incremental capex is limited to INR 500-1000 Mn over the next 2–3 years, no major capacity constraints are anticipated, and exports are expected to sustain ~20–30% growth, supporting gradual margin expansion through FY27. We anticipate a ~9.5%/11.3/~9.1 CAGR in revenue/EBITDA/PAT growth from FY26E to FY28E. **Value AL at a PE multiple of 29x for the parent automaker for its FY28E EPS of INR 7.2 (Include INR ~16 for HLF). We downgrade (6M return of 73%) our rating to a Hold from Accumulate earlier and value it with SOTP valuation for a target price of INR 224.**

Quarterly Results					
Standalone (INRm)	Q3FY26	Q2FY26	Q3FY25	QoQ%	YoY%
Revenue	114,775	95,382	94,362	20.3%	21.6%
Other operating income	563	500	425	12.7%	32.6%
Net Sales	115,339	95,882	94,787	20.3%	21.7%
Cost of material consumed	75,902	62,104	63,674	22.2%	19.2%
Purchases of stock-in-trade	4,439	4,493	3,934	-1.2%	12.8%
Changes in inventories	2,912	1,641	135	77.5%	2058.7%
Raw Material	83,253	68,237	67,743	22.0%	22.9%
Staff Cost	6,252	6,478	6,064	-3.5%	3.1%
Other expenditure	10,484	9,546	8,866	9.8%	18.2%
Total Expenditure	99,988	84,260	82,672	18.7%	20.9%
EBITDA	15,350	11,622	12,114	32.1%	26.7%
Depreciation	1,775	1,723	1,923	3.0%	-7.7%
EBIT	13,576	9,899	10,191	37.1%	33.2%
Interest	438	420	501	4.4%	-12.4%
Other Income	593	1,348	247	-56.0%	139.8%
PBT	13,730	10,827	9,938	26.8%	38.2%
Exceptional items	(3,085)				
PBT	10,645				
Current Tax	2,707	2,626	3,546	3.1%	-23.7%
Deferred tax	(22)	90	(1,226)	-124.1%	-98.2%
Tax	2,685	2,716	2,320	-1.1%	15.7%
PAT	7,960	8,111	7,617	-1.9%	4.5%
Extraordinary	-	(400.0)	-		
Reported PAT	7,960	7,710.6	7,617.4	3.2%	4.5%
EPS	1.36	1.31	2.59	3.8%	-47.5%
Margins	Q3FY26	Q2FY26	Q3FY25	QoQ (Bps)	YoY (Bps)
Gross margins	27.8%	28.8%	28.5%	-101Bps	-71Bps
EBITDA	13.31%	12.12%	12.8%	119Bps	53Bps
PAT	6.9%	8.5%	8.0%	-156Bps	-113Bps
Effective Tax Rate	19.6%	25.1%	23.3%	-553Bps	-379Bps
Cost Analysis					
RM/Net Sales	72.18%	71.17%	71.47%	101Bps	71Bps
Other Exp/Net Sales	9.09%	9.96%	9.35%	-87Bps	-26Bps
Staff cost/Net sales	5.42%	6.76%	6.40%	-134Bps	-98Bps
Volume (In Units)	Q3FY26	Q2FY26	Q3FY25	QoQ%	YoY%
MHCV	36,122	26,635	24,025	35.6%	50.4%
LCV	19,997	17,697	15,415	13.0%	29.7%
Total Sales	56,119	44,332	39,440	26.6%	42.3%
EXPORT	76,116	62,029	54,855	22.7%	38.8%
M&HCV	1,254	4,083	6,033	-69.3%	-79.2%
LCV	252	701	931	-64.1%	-72.9%
Total Exports	1,506	4,784	6,964	-68.5%	-78.4%
Total Volume	57,625	49,116	45,624	17.3%	26.3%

Source: Arihant Research, Company Filings

Ashok Leyland Ltd. – Q3 FY26 Concall KTAs

Strong Growth Despite Cost & Mix Challenges

Commodity
Material cost rose ~100 bps QoQ to 72.2% of revenue, driven by escalation in non-ferrous inputs (copper, aluminium, PGMs) along with adverse product mix, resulting in margin pressure.

Segment
ICV penetration spike to ~30% of industry volumes (vs historical 22–24%), while bulk-led heavy-duty demand lagged, leading to an unfavourable sales mix.

GST rate rationalisation as the inflection point for a structural CV replacement cycle, as fleet age has expanded from ~7.5 years to ~10.5 years, with freight demand and pricing acting as supporting triggers.

GST reset has unlocked deferred replacement demand, with traction sustained from November to January across retail as well as institutional

Favourable demand environment marked by simultaneous improvement in freight volumes and freight rates, supporting a 3–4 quarter forward ordering pipeline.

Replacement cycle visibility is underpinned by freight strength, a pro-growth FY27 Union Budget, the India–EU FTA, and expected clarity on India–US trade tariffs.

Volumes
Confident of healthy volume growth over the near-to-medium term.

FY27 Trajectory
April–October expected to witness sharp growth on a low base, while November–March will see moderation due to a higher base; overall industry outlook remains positive.

Margins
Near-term commodity inflation 60+ bps pricing recovery achieved via discount rationalisation implemented in January, with further improvement expected as heavy-duty mix normalises.

Material Costs
Increased sequentially due to commodity inflation and higher ICV share.

Pricing
60+ bps recovery already implemented.

Capex
Limited incremental capex of INR 50–100 crore over the next 2–3 years; no broad-based capacity constraints envisaged.

Bus
Body-building capacity to scale up to 20,000 units per annum with Lucknow facility ramp-up.

Distribution
152 new touchpoints added in 9MFY26, taking the total network to 2,041 outlets.

Market share gains continue in North and East India NCR expansion supported through TVS Group partnership, strengthening after-sales reach and service quality.

Domestic MHCV
32,929 units (Trucks 27,615; Buses 5,314), +23.4% YoY; YTD 9M market share at 30.9% (+60 bps YoY).

Domestic LCV
20,518 units (+30% YoY); Q3 market share 12.1% (+70 bps YoY).Exports: Q3 volumes of 4,965 units (+20% YoY); YTD 9M growth at +30%, led by GCC, Africa and SAARC markets.

Product Pipeline
Recent launches include Hippo Tractor and Taurus Tipper platforms, along with upgraded multi-axle trucks featuring higher horsepower engines.

LCV footprint expansion underway, with coverage targeted to rise from ~50% to ~80%.

Comprehensive EV portfolio across LCVs, MHCVs and buses, alongside readiness for CNG, LNG, hydrogen and biofuel platforms.

International
International revenue contribution increased from 6% to 8% and defence now at 1.5%, power solutions at 3.6%.

PT Pindad (Indonesia) partnership signed ASEAN identified as the fourth strategic home market.

Switch India
EBITDA and PAT positive 9M sales of 850 electric buses and 1,200 electric LCVs targeting free cash flow positivity by FY27.

OHM E-Mobility
Over 1,400 electric buses operational INR 3000 Mn invested to date with an additional INR 3000 Mn committed open to third-party capital infusion.

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

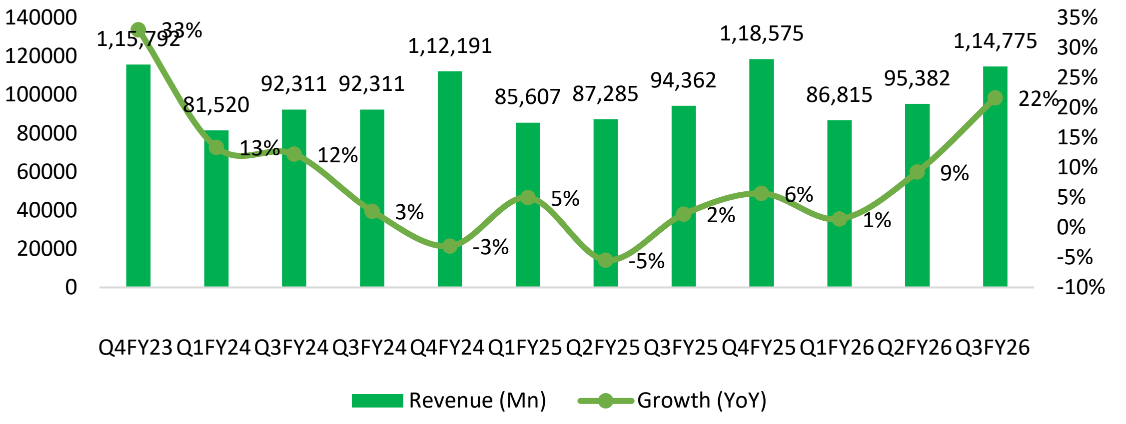


Exhibit 4 : EBITDA margin trend

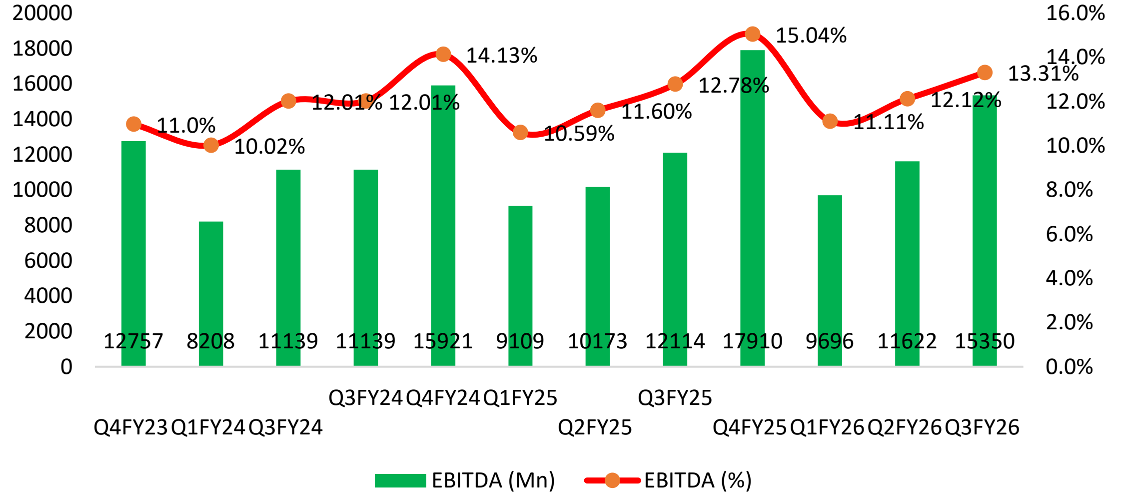
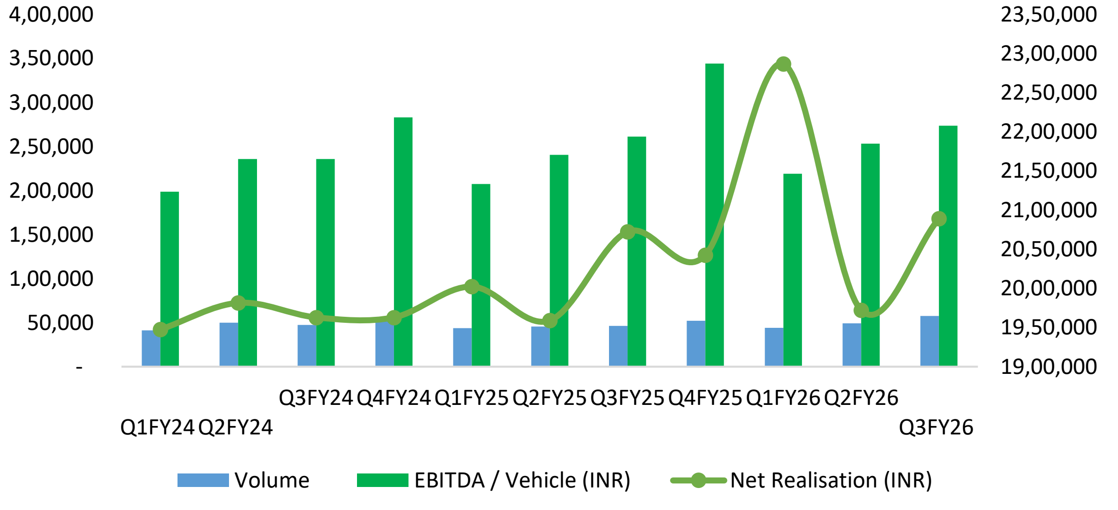


Exhibit 5: Volume expected to increase in the coming quarters



Source: Arihant Research, Company Filings

P&L (INR mn) Standalone	FY25	FY26E	FY27E	FY28E
Net sales	3,87,527	4,09,637	4,46,039	4,91,361
YoY (%)	1.0	5.7	8.9	10.2
Raw material cost	2,76,228	2,94,939	3,19,364	3,49,358
Employee Cost	24,063	27,672	31,823	36,596
Admin Expenses	37,931	36,867	39,697	43,240
Total expenses	3,38,222	3,59,478	3,90,884	4,29,194
EBIDTA	49,306	50,159	55,155	62,167
(%)	12.7%	12.2%	12.4%	12.7%
Depreciation	7,193	8,042	8,887	9,797
EBIT	42,112	42,117	46,268	52,370
Interest	2,169	1,190	1,648	2,115
Other income	2,503	2,553	2,604	2,656
PBT	42,446	43,480	47,224	52,911
Exchange gain / (loss) on swap contracts	-	-	-	-
(-) Tax	10,450	8,042	9,124	10,767
Tax/ PBT	24.6	18.5	19.3	20.3
PAT	**31,996**	**35,438**	**38,100**	**42,144**
YoY (%)	18.0	10.8	7.5	10.6
PAT(%)	8.3%	8.7%	8.5%	8.6%
Extraordinary	1,037.30	-	-	-
Reported Profit	**33,033**	**35,438**	**38,100**	**42,144**

B/Sheet (INR mn)Standalone	FY25	FY26E	FY27E	FY28E
Equity capital	2,937	5,874	5,874	5,874
Reserves	1,12,251	1,19,119	1,29,558	1,41,106
Net worth	1,15,188	1,24,992	1,35,432	1,46,979
Total Loans	14,817	21,792	28,907	36,163
Deferred Tax	5,478.90	-	-	-
Total Liabilities	**1,35,484**	**1,46,785**	**1,64,338**	**1,83,142**
Gross block	1,17,722	1,29,722	1,43,722	1,57,722
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	37,978	39,374	43,072
Debtors	28,873	33,669	36,661	40,386
Cash	27,060	26,928	28,041	32,046
Loans and advances	15,110	29,857	36,865	50,318
Current assets	1,06,903	1,28,432	1,40,940	1,65,822
Current liabilities	81,130	95,765	94,915	1,03,953
Provisions	21,484	14,837	16,156	17,798
Net current assets	4,289	17,829	29,870	44,071
Total Assets	**1,35,484**	**1,46,785**	**1,64,338**	**1,83,142**

Source: Arihant Research, Company Filings

Cash Flow Standalone	FY25	FY26E	FY27E	FY28E
Net profit	33,033	35,438	38,100	42,144
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	-13,173	-10,430	-9,698
Operating cash flow	23,016	25,783	32,033	37,719
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**	**13,783**	**18,033**	**23,719**
Dividend	-14,322	-25,634	-27,661	-30,596
Equity	8,373.60	-	-	-
Debt	-8,177	6,975	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	FY26E	FY27E	FY28E
EPS	11.2	6.0	6.5	7.2
Cash EPS	13.7	7.4	8.0	8.8
Book value	39	21	23	25
P/E (x)	18.3	34.1	31.7	28.7
EV/EBDITA (x)	10.7	22.9	20.9	18.6
P/B (x)	5.2	9.7	8.9	8.2
EV/Sales	1.4	1.3	1.2	1.1
ROCE	28%	26%	26%	25%
ROE	32%	30%	29%	30%
Dividend Yield	3.0%	1.8%	1.9%	2.1%
Gross asset turn	3.1	2.9	2.9	2.8
Days outstanding				
Inventory	47	47	45	45
Debtors	30	30	30	30
Creditors	90	90	90	90

Source: Arihant Research, Company Filings

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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%

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