Global Markets Research

Ashok Leyland

India | Automobiles | Result Update

16 August 2026

Commodity inflation clouds outlook

Rating: Reduce
Target Price: INR 166
Downside: 3%
CMP: INR 172
As on 14 August 2026

Ashok Leyland (AL IN) reported Q1FY27 revenue of INR 96.3bn, up 10.4% YoY, led by broad-based growth across MHCV trucks, LCV, and non-CV businesses. EBITDA was flat YoY at INR 9.7bn, with EBITDA margin at 10.1%, down ~105bp YoY. Despite sharp commodity inflation, gross margin remains relatively resilient at 28.6% in Q1, down 10bp QoQ, aided by consumption of lower-cost opening inventory, price hikes, cost savings initiatives, and improving business mix. Management sees potential for high single-digit MHCV industry growth in FY27, with LCV growth slightly better. However, commodity pressure is likely to peak in Q2 before easing from Q3 and seeing a more meaningful turnaround in Q4, keeping near-term margin under pressure. We tweak our FY27-29E earnings by 1% to factor in near-term commodity pressure. We raise our TP to INR 166 as we roll forward by a quarter valuing the business at 12x September 2028E EV/EBITDA. We retain **Reduce**.

Pricing and cost savings to partly offset commodity inflation: Material cost increased ~90bp YoY to 71.5% of revenue in Q1, as higher commodity prices and supply chain disruption weighed on profitability. AL took a ~1.20-1.25% price rise during Q1, with management indicating nearly half of the commodity impact was offset through pricing and the balance through cost savings and inventory benefits. With commodity pressure set to intensify in Q2, AL has undertaken further price hikes of >1% in CV and >2% in LCV from July, taking cumulative FY27 increase to ~2.00-2.25% and >3.5%, respectively, while further pricing and discount optimization remain under consideration. Benefits from the cost savings program, richer mix from high-horsepower trucks, and tighter overhead control should partly cushion the near-term RM impact, although employee cost is likely to rise ~4-5% QoQ in Q2, following annual wage revisions.

Non-CV businesses strengthen diversification; Switch orderbook healthy: Non-CV businesses continue to outpace core, with aftermarket, Power Solutions and defence revenue growing 12.7% YoY, 51% YoY, and 64% YoY in Q1, respectively, while defence orderbook and tender pipeline remain healthy. Management continues to focus on scaling these higher-margin businesses to reduce dependence on the cyclical domestic MHCV segment; the number of monthly domestic MHCV truck volume required to cover fixed cost has reduced to ~1,000-1,500 units from ~6,000-7,000 units a few years ago. Switch Mobility secured a fresh 650 eBus order, taking its eBus orderbook to ~2,100 units, while Q1 deliveries stood at 225 eBuses and ~300 eLCV. In Q1FY27, the company invested ~INR 3.3bn in Optare (subsidiary) and INR 5bn in HHFL (step-down subsidiary).

Reiterate Reduce with a higher TP of INR 166: While stronger CV demand and scaling of non-CV businesses support growth, elevated commodity cost is likely to keep Q2 margin under pressure before easing from Q3. We remain cautious on near-term MHCV industry growth, and we expect a mere 3-4% CAGR during FY27-29E. We tweak our FY27-29E by ~1%. We retain **Reduce** with a higher TP of INR 166 from INR 160 on 12x (unchanged) September 2028E EV/EBITDA.

Key financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (INR mn)	387,527	440,070	482,431	514,172	547,226
YoY (%)	1.0	13.6	9.6	6.6	6.4
EBITDA (INR mn)	49,306	57,323	59,339	67,871	73,876
EBITDA margin (%)	12.7	13.0	12.3	13.2	13.5
Adj PAT (INR mn)	31,996	39,140	40,416	46,836	51,112
YoY (%)	18.0	22.3	3.3	15.9	9.1
Fully DEPS (INR)	10.9	6.7	6.9	8.0	8.7
RoE (%)	31.5	31.8	28.4	27.8	25.6
RoCE (%)	35.1	36.9	33.8	33.9	31.7
P/E (x)	15.7	25.7	24.9	21.5	19.7
EV/EBITDA (x)	30.8	26.5	25.6	22.4	20.6

Note: Pricing as on 14 August 2026; Source: Company, Elara Securities Estimate

Key data

Bloomberg	AL IN
Reuters Code	ASOK.NS
Shares outstanding (mn)	5,874
Market cap (INR bn/USD mn)	1,008/10,564
EV (INR bn/USD mn)	1,520/15,925
ADTV 3M (INR mn/USD mn)	4,262/45
52 week high/low	215/125
Free float (%)	48

Note: as on 14 August 2026; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q2 FY26	Q3 FY26	Q4 FY26	Q1 FY27
Promoter	51.5	51.5	51.5	51.5
% Pledge	41.2	40.9	40.1	40.1
FII	24.3	24.4	24.6	20.7
DII	13.7	13.8	13.1	15.8
Others	10.5	10.3	10.8	12.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	3.1	(5.3)	(1.1)
Ashok Leyland	12.1	(16.6)	40.7
NSE Mid-cap	4.6	1.5	6.3
NSE Small-cap	9.3	13.5	9.7

Source: Bloomberg

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Financials (YE March)

Income Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Total Revenue	387,527	440,070	482,431	514,172	547,226
Gross Profit	111,300	125,899	136,046	149,110	159,790
EBITDA	49,306	57,323	59,339	67,871	73,876
EBIT	42,112	50,171	51,779	59,974	65,501
Interest expense	2,169	1,697	1,200	1,000	1,000
Other income	2,503	3,152	3,309	3,475	3,648
Exceptional/ Extra-ordinary items	1,037	(3,485)	-	-	-
PBT	43,483	48,140	53,888	62,448	68,150
Tax	10,450	12,485	13,472	15,612	17,037
Minority interest/Associates income	-	-	-	-	-
Reported PAT	33,033	35,655	40,416	46,836	51,112
Adjusted PAT	31,996	39,140	40,416	46,836	51,112

Balance Sheet (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Shareholders' Equity	115,188	131,134	153,937	183,161	216,660
Minority Interest	-	-	-	-	-
Trade Payables	73,047	83,293	83,512	88,015	93,409
Provisions & Other Current Liabilities	47,190	54,636	60,709	63,901	67,570
Total Borrowings	14,354	11,517	9,517	7,517	5,517
Other long term liabilities	5,479	5,357	5,357	5,357	5,357
Total liabilities & equity	**255,258**	**285,937**	**313,033**	**347,950**	**388,513**
Net Fixed Assets	58,204	64,183	65,623	66,725	67,351
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	91,229	111,289	127,982	144,620	163,421
Cash, Bank Balances & treasury investments	27,060	29,771	28,634	40,559	55,898
Inventories	29,573	34,860	37,960	40,007	42,459
Sundry Debtors	28,873	29,504	35,687	38,035	40,480
Other Current Assets	20,320	16,330	17,147	18,004	18,904
Total Assets	**255,258**	**285,937**	**313,033**	**347,950**	**388,513**

Cash Flow Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Cashflow from Operations	**78,194**	**47,921**	**58,842**	**73,788**	**80,790**
Capital expenditure	(9,543)	(13,131)	(9,000)	(9,000)	(9,000)
Acquisitions / divestitures	(31,132)	(20,060)	(16,693)	(16,638)	(18,801)
Other Business cashflow	(104)	1,139	-	-	-
Free Cash Flow	**37,416**	**15,869**	**33,149**	**48,150**	**52,990**
Cashflow from Financing	(44,738)	(13,158)	(34,285)	(36,225)	(37,650)
Net Change in Cash / treasury investments	(7,322)	2,711	(1,136)	11,925	15,339

Key assumptions & Ratios	FY25	FY26	FY27E	FY28E	FY29E
Dividend per share (INR)	6.3	3.5	3.0	3.0	3.0
Book value per share (INR)	39.2	22.3	26.2	31.2	36.9
RoCE (Pre-tax) (%)	35.1	36.9	33.8	33.9	31.7
ROIC (Pre-tax) (%)	47.1	46.6	41.8	42.1	41.4
ROE (%)	31.5	31.8	28.4	27.8	25.6
Asset Turnover (x)	6.7	7.2	7.4	7.8	8.2
Net Debt to Equity (x)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Net Debt to EBITDA (x)	(0.3)	(0.3)	(0.3)	(0.5)	(0.7)
Interest cover (x) (EBITDA/ int exp)	22.7	33.8	49.4	67.9	73.9
Total Working capital days (WC/rev)	(23.6)	(27.6)	(17.4)	(16.7)	(17.1)

Valuation	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	15.7	25.7	24.9	21.5	19.7
P/Sales (x)	2.6	2.3	2.1	2.0	1.8
EV/ EBITDA (x)	30.8	26.5	25.6	22.4	20.6
EV/ OCF (x)	19.4	31.7	25.8	20.6	18.8
FCF Yield	2.5	1.0	2.2	3.2	3.5
Price to BV (x)	4.4	7.7	6.5	5.5	4.7
Dividend yield (%)	3.6	2.0	1.7	1.7	1.7

Note: Pricing as on 14 August 2026; Source: Company, Elara Securities Estimate

Exhibit 1: Standalone quarterly performance

(INR mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Q1FY27E	Variance (%)
Revenue	**96,344**	**87,245**	**10.4**	**1,41,605**	**(32.0)**	**97,425**	**(1.1**
Operating cost	86,648	77,550	11.7	1,20,950	(28.4)	88,365	(1.9
EBITDA	**9,695**	**9,696**	**(0.0)**	**20,655**	**(53.1)**	**9,061**	**7.0**
EBITDA margin (%)	***10.1***	***11.1***	***(105)***	***14.6***	***(452)***	***9.3***	***76***
Depn & amort.	1,829	1,828	0.1	1,826	0.2	1,820	0.5
EBIT	7,866	7,867	(0.0)	18,829	(58.2)	7,241	8.6
Interest expense	415	419	(0.8)	421	(1.3)	419	(0.8
Other Income	851	529	61.0	683	24.6	529	61.0
Pretax profit	8,302	7,977	4.1	19,091	(56.5)	7,350	12.9
Tax	2,211	2,040	8.4	5,044	(56.2)	1,838	20.3
Tax rate (%)	26.6	25.6		26.4		25.0	
Adjusted Net profit	**6,091**	**5,937**	**2.6**	**14,047**	**(56.6)**	**5,513**	**10.5**
Exceptionals	0	0		0		0	
Reported Net Profit	6,091	5,937	**2.6**	14,047	**(56.6)**	5,513	**10.5**
Adj EPS (INR)	1.0	1.0	**2.6**	2.4	**(56.6)**	0.9	**10.5**

Source: Company, Elara Securities Estimate

Conference call key takeaways

- **Record Q1 volume and revenue:** Overall CV volume reached a record 48,673 units. Standalone revenue rose 10% YoY to INR 96.3bn, while EBITDA was broadly flat at INR 9.7bn; EBITDA margin declined 100bp YoY to 10.1%. PAT grew 3% YoY to ~INR 6.1bn.

- **MHCV trucks and LCV continue to outperform:** Domestic MHCV truck volumes rose 15% YoY to 22,998 units vs ~13% industry growth, while overall MHCV market share stood at 29%. LCV volume increased 21% YoY to 18,874 units, the highest-ever Q1, with Vahan market share up 30bp YoY to 13.2%.

- **Bus volume dragged by focus on profitability:** Bus volume declined as AL chose not to participate in some unprofitable tender orders. Management remains focused on gaining share in the medium-bus & private school and staff segment, where its share has increased from ~15% to ~25% for the past 3-4 years.

- **Commodity inflation remains key near-term margin headwind:** Material cost increased 90bp YoY to 71.5% of revenue. Q1 gross margin benefitted from consumption of lower-cost opening inventory and higher inventory capitalization, with vehicle inventory rising from ~6,000 units at the start of the quarter to ~8,000 units at the end. Management expects commodity pressure to be higher in Q2, start easing in Q3, and see a more meaningful turnaround in Q4.

- **Pricing and cost savings to partly offset RM pressure:** AL took a ~1.2-1.25% price increase in Q1, with management indicating roughly half of the commodity impact was offset through pricing and the balance through cost savings and inventory benefits. In July, it took >1% price hike in CV and >2% in LCV, taking cumulative FY27 increases to ~2.00-2.25% and ~3.5%, respectively; further pricing and discount optimization is being evaluated.

- **Cost control initiatives being accelerated:** The internal Achieve 2K cost-saving program has begun delivering benefits and management expects a larger impact in subsequent quarters. Employee cost should rise ~4-5% QoQ in Q2, following the annual increment cycle, while administration and other overheads are being tightly controlled through centralized procurement and negotiations.

- **CV demand outlook remains healthy:** Management expects Q2 industry growth to improve materially from Q1, supported by strong momentum seen in June and July, when MHCV industry growth exceeded 20%. Assuming a tougher base from October-November, management sees potential for high single-digit FY27 MHCV industry growth, with the LCV outlook slightly stronger. Replacement demand from an ageing fleet, improving financing availability, and infrastructure activity remain key drivers.

- **Non-CV businesses provide diversification and better margin:** Aftermarket revenue grew 12.7% YoY, Power Solutions 51%, and defence 64%, with a healthy defence order and tender pipeline. Management says growth of non-MHCV businesses has reduced domestic MHCV truck volume required to cover company fixed cost to ~1,000-1,500 units/month from ~6,000-7,000, reducing cyclicality.
- **Exports should recover after weak Q1:** Export volume fell 18% YoY to 2,461 units, primarily due to disruption at the Ras Al Khaimah plant affecting GCC supplies. Management says retail demand in GCC remains healthy and expects production to return to its peak run-rate, allowing wholesale losses to be recovered; the SAARC and the African Union grew strongly at ~40-60% YoY.
- **Switch Mobility orderbook strengthens:** Switch secured a fresh order for 650 eBuses, taking its orderbook to ~2,100. It delivered 225 eBuses and ~300 eLCV during Q1, while OHM Mobility's operating fleet increased to >1,900 eBuses, with >500 additions during the quarter; management expects OHM to reach PAT breakeven in the near term.
- **Capex intensity to remain elevated:** Q1 capex stood at ~INR 1.5bn, focused on new products, future technologies, alternate powertrains, and EV. Management says annual capex has increased to around INR 9-10bn for the past two years from INR 4-5bn historically and expects investment levels to remain elevated and increase during the next 2-3 years.

Exhibit 2: Valuation

(INR)	September 2028E
EBITDA	70,873
Multiple (x)	**12.0**
EV	850,478
Net Debt	(90,529)
Value of business (INR mn)	941,007
Value of Ashok Leyland (INR)	**160**
Hinduja Leyland finance value (INR)	5
Total target price (INR)	**166**

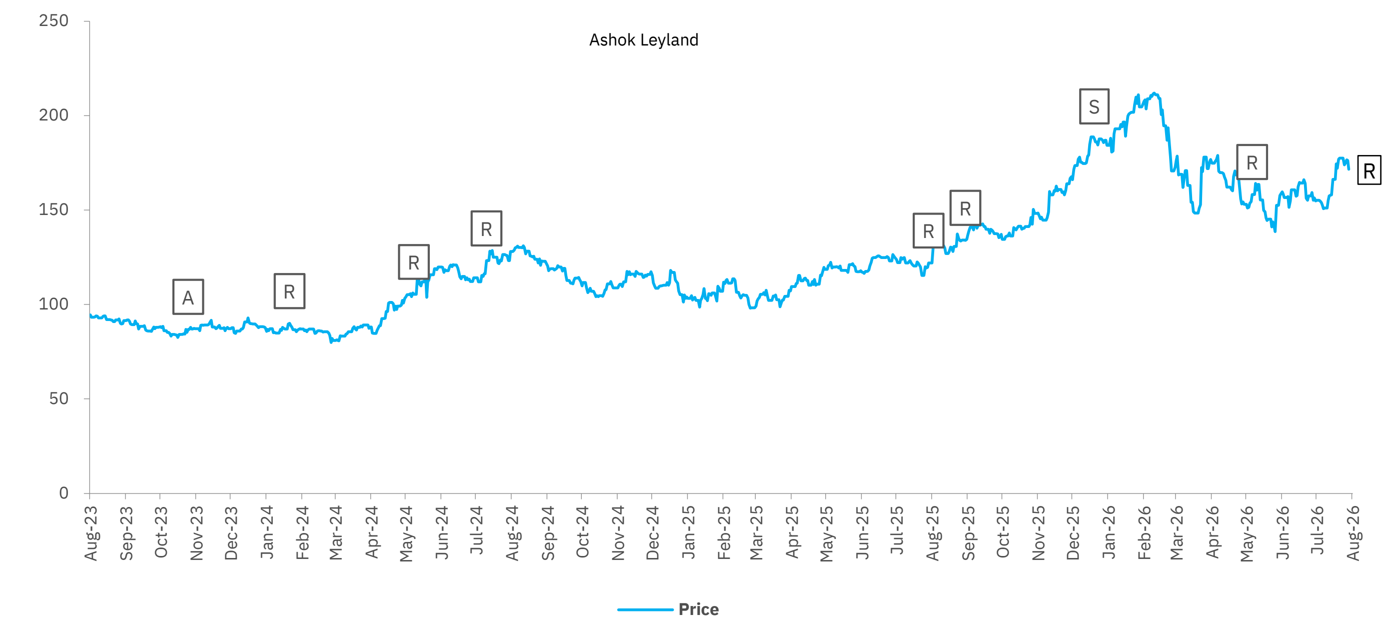
Source: Elara Securities Estimate

Exhibit 3: Earnings revision

	Earlier			Revised			% variation		
(INR mn)	FY27E	FY28E	Fy29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Net Sales	478,631	510,180	543,032	482,431	514,172	547,226	0.8	0.8	0.8
EBITDA	59,829	67,344	73,309	59,339	67,871	73,876	(0.8)	0.8	0.8
EBITDA margin (bp)	12.5	13.2	13.5	12.3	13.2	13.5	(20.0)	-	-
PAT	40,784	46,441	50,688	40,416	46,836	51,112	(0.9)	0.9	0.8
Target price (INR)		**160**			**166**			**3.5**	
MHCV Volume	149,790	156,080	162,817	151,111	157,443	164,222	0.9	0.9	0.9

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
24-May-2023	Accumulate	175	150
24-Jul-2023	Accumulate	209	182
10-Nov-2023	Accumulate	200	174
06-Feb-2024	Reduce	180	180
24-May-2024	Reduce	200	211
26-Jul-2024	Reduce	230	246
14-Aug-2025	Reduce	120	122
15-Sep-2025	Reduce	131	134
05-Jan-2026	Sell	171	189
22-May-2026	Reduce	160	158
14-Aug-2026	Reduce	166	172

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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