

Ashok Leyland – Switch Mobility UK's Shake-Up and Hinduja's Share Pledge

BUY

(Maintained)

April 01, 2025 | CMP: INR 205 | Target Price: INR 260

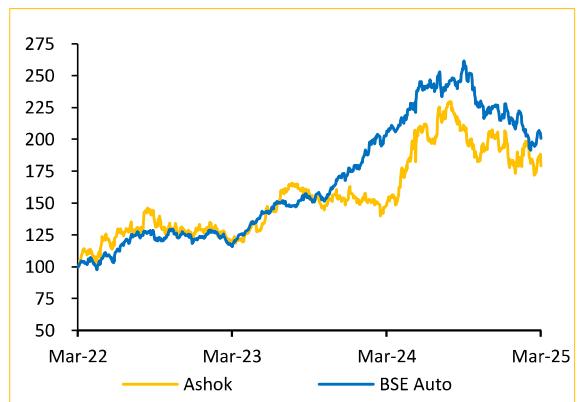
Event Update

Company Info	
BB Code	AL IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	265/166
Mkt Cap (Bn)	INR 601.3/\$ 7.0
Shares o/s (Mn)	2936
3M Avg. Daily Volume	84,49,245

Key Financials					
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	361	384	386	414	453
YoY (%)	66.7	6.2	0.5	7.2	9.4
EBITDA	29.3	46.1	45.1	49.2	55.2
EBITDAM %	8.1	12.0	11.7	11.9	12.2
Adj PAT	13.8	26.2	27.6	30.8	35.3
EPS (INR)	4.7	8.9	9.4	10.5	12.0
ROE %	17.5	30.4	29.3	28.7	28.9
ROCE %	19.6	34.3	33.0	34.0	35.4
PE(x)	47.2	24.9	23.6	21.2	18.5
EV/EBITDA	23.2	13.9	14.4	13.0	11.3

Shareholding Pattern (%)			
	Dec-24	Sep-24	Jun-24
Promoters	51.52	51.52	51.52
FII	24.09	24.39	22.03
DII	13.04	12.34	14.12
Public	11.35	11.75	12.33

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Auto	100.57	73.50	-2.93
AL	79.04	51.71	19.31



Q3FY25 Result Update

Switch Mobility UK's Cessation to Have a Limited Short-Term Impact but is Long-Term Positive for AL

- Despite Switch Mobility UK's revenue growth from £13.9Mn (INR 1,539Mn) in FY23 to £24.8Mn (INR 2,817Mn) in FY24, its contribution to Switch's total revenue declined from 60.7% to 37.2%, as Switch Mobility India outpaced it with stronger growth. However, Switch UK accounted for only 0.7% of AL's consolidated revenue in FY24, highlighting its diminishing relevance at the top line.
- We expect the cessation of Switch UK's operations to have a 2–4% impact on AL's consolidated net profit in the short term due to a one-time payout of £5–10Mn (INR 553.6Mn – 1,107.1Mn). However, in the long term, the move is likely to be positive, reducing cash burn and improving economies of scale in India. The cessation is expected to eliminate monthly losses of £2–3Mn (INR 221.4Mn – 332.1Mn), potentially boosting PAT by 8–12%. With the UK operations ceasing, we expect AL to strengthen its consolidated earnings, as the business will no longer weigh down overall profitability.

AL Restructures Switch Mobility: Scaling Down UK Operations, Betting on India

- AL plans to scale down operations at its step-down subsidiary, Switch Mobility UK, due to weak demand for EV buses, an uncertain e-bus outlook in the UK, and an unsustainable cost structure. The company has initiated a 45–90 day consultation process with employees, which may lead to the closure of manufacturing and assembly activities at its Sherburn facility, incurring an estimated cost of £5–10Mn (INR 553.6Mn – 1,107.1Mn). Despite this, Switch UK will continue fulfilling existing orders and offering aftermarket services from its Rotherham and Thurrock facilities.
- Switch UK currently has a net debt of £80Mn (INR 8857Mn), which is due for repayment by FY29. The INR 5Bn equity infusion approved by AL in Feb 2025 will be partly used for debt repayment and partly for closure-related expenses. Management does not foresee any further fund requirements for either Switch UK or Switch India in the near future.
- Going forward, AL aims to reduce its UK exposure and prioritize growth in India, where Switch India is expected to deliver INR 9–10Bn in revenue in FY25 and turn EBITDA positive. Backed by a strong order backlog of 1,300 buses, Switch India is projected to achieve PAT break-even over the next 4–6 quarters. The company does not expect any impairment of investments in Switch, as the decline in value at the UK unit is expected to be offset by gains at the India entity.
- Although AL is scaling down UK operations, it does not intend to exit the UK market entirely. The company plans to cater to the UK and Europe through its India and UAE manufacturing sites once market conditions improve.

Hinduja Group Increases Share Pledge in AL

- Hinduja Automotive Limited (the Borrower) holds 1,019.4Mn shares in AL Limited, constituting 35.01% of its issued and paid-up share capital. As of Dec 2024, 15.38% of this stake was pledged. Subsequently, on 26th and 28th March 2025, Hinduja Automotive pledged an additional 18.55%, increasing the total pledged stake to 33.93%.
 - March 26, 2025: 300Mn shares were pledged, representing 10.21% of AL's share capital.
 - March 28, 2025: 245Mn shares were pledged, representing 8.34% of the share capital.
- Both pledges were made in favor of Catalyst Trusteeship Limited, acting as the onshore security agent for Hinduja Automotive's lenders under a Facility Agreement dated March 24, 2025.

Recent Update: AL Secures INR 7,000Mn Defense Order

On March 28 2025, AL secured INR 7,000Mn worth of defense vehicle orders, strengthening its position as a key supplier to the Indian Army. The contracts include specialized vehicles such as the Stallion 4x4, Stallion 6x6, Short Chassis Bus, and Mobility System Travelling Platform, catering to troop transportation, logistics, and specialized mobility needs under the Close-in Weapon Systems (CIWS) program.

View and Valuation: We do not revise our estimates following the INR 7,000Mn defense order, as the potential upside from such contract wins is already factored into our valuation. Similarly, we do not expect a significant impact on EPS from the cessation of Switch Mobility UK in the near term, as the company is valued on a standalone basis. We maintain our 'BUY' rating with a target price of INR 260 (valued at 20x FY27E EPS plus the value of Hinduja Leyland Finance Limited).

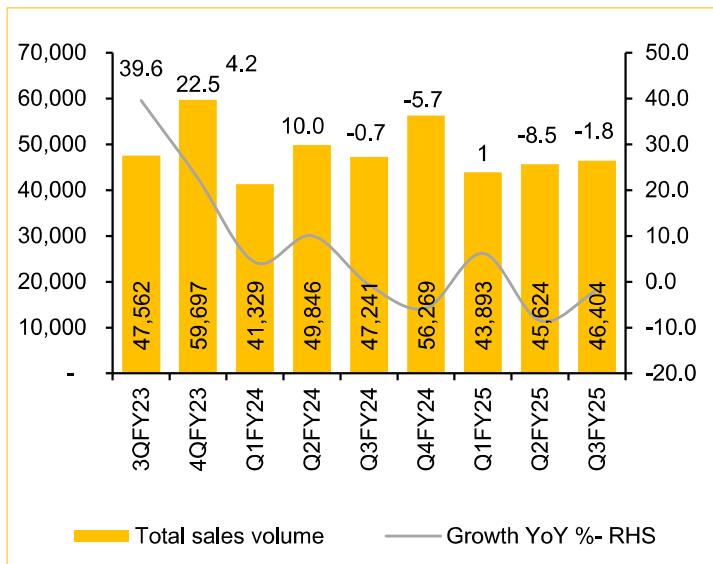
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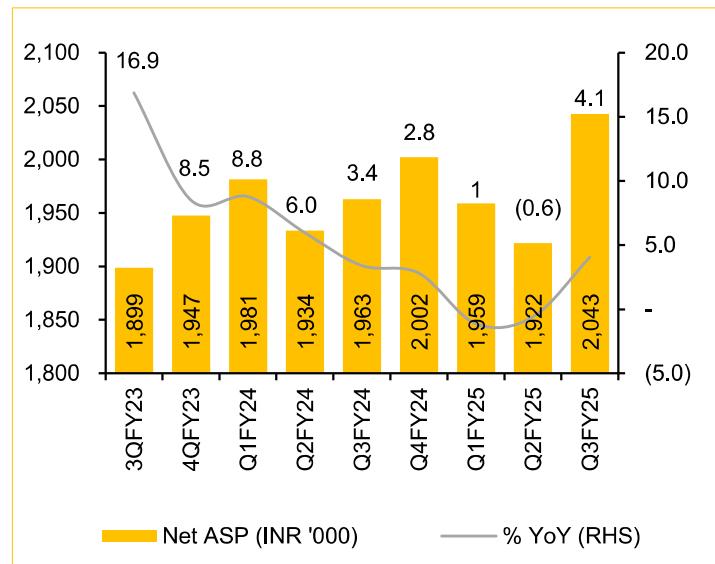
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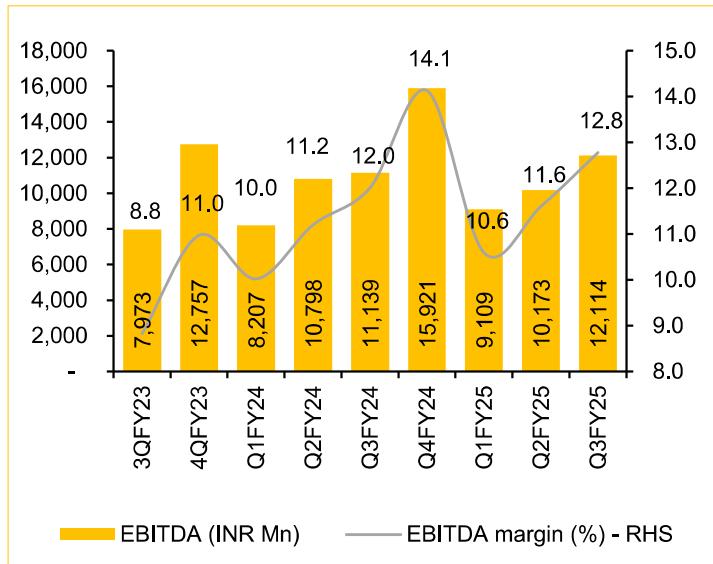
£1 = INR 110.71 (as on March 29th, 2025)

Volume Decline by 1.8% due to Govt CapEx Slowdown

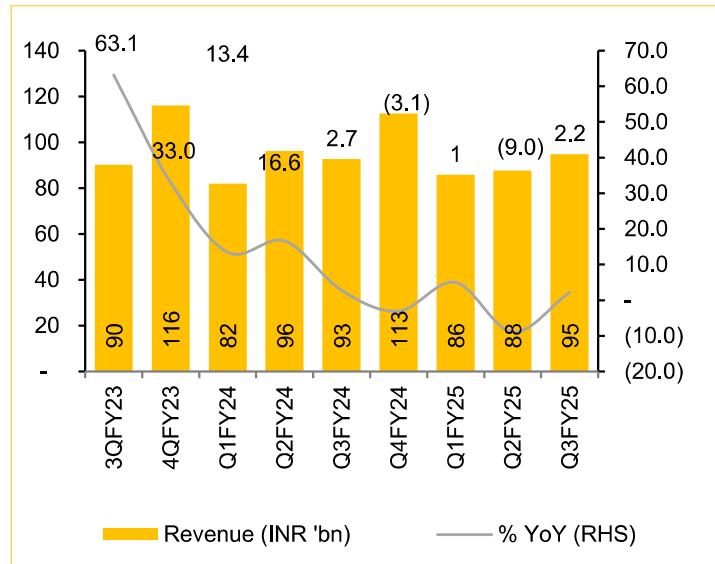
Source: Company, CEBPL

ASP up by 4.1% on YoY basis due to Product Mix

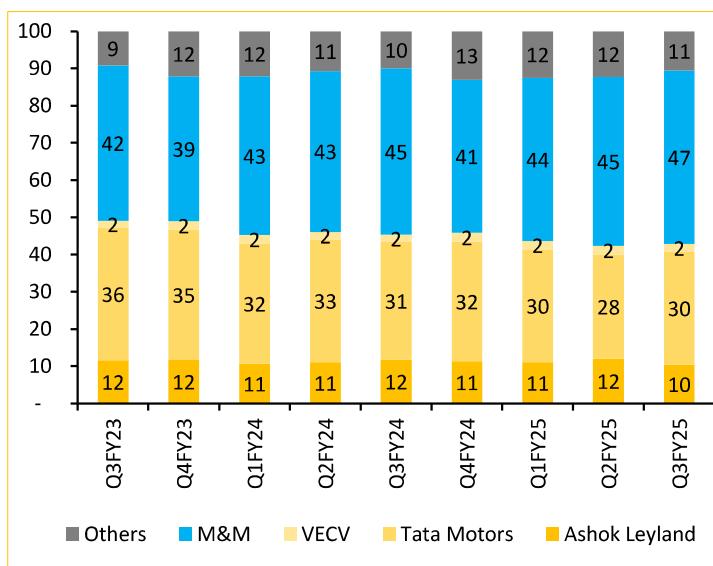
Source: Company, CEBPL

EBITDA improved due to favorable commodity prices

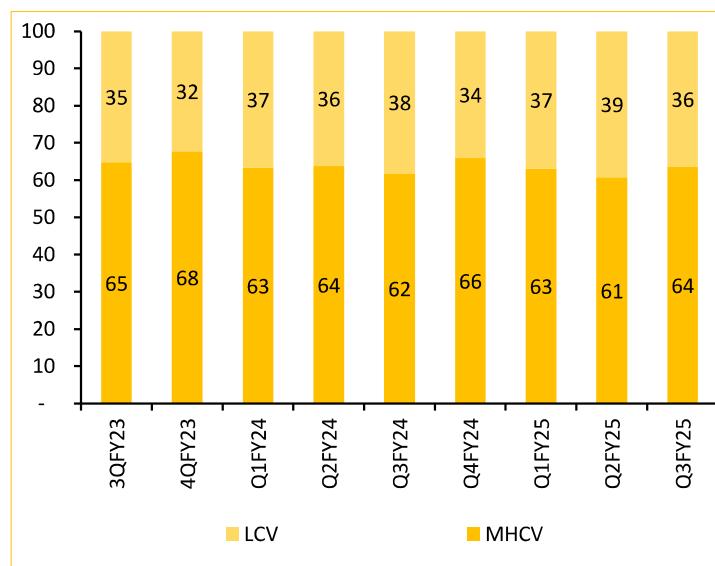
Source: Company, CEBPL

Revenue growth of 20.8% YoY driven by higher ASP

Source: Company, CEBPL

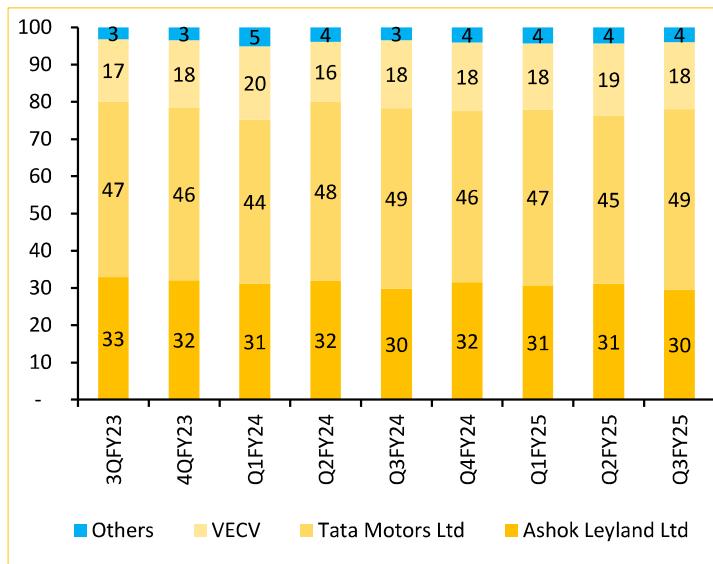
LCV Market Share Trend

Source: Company, CEBPL

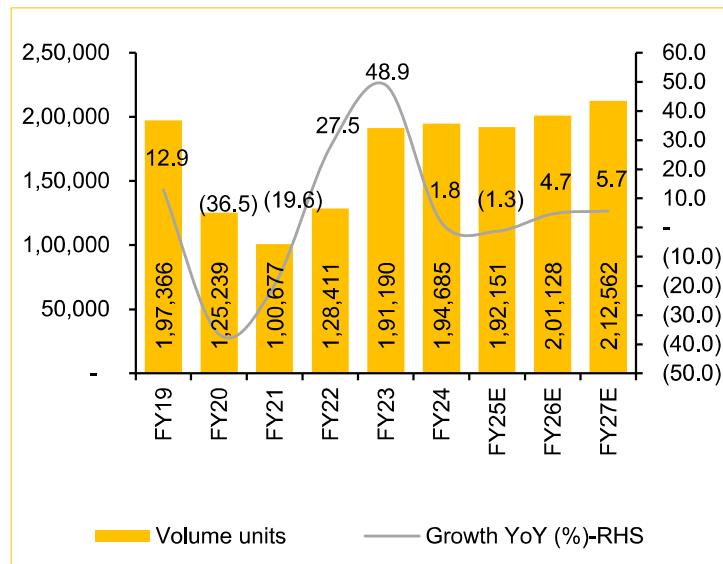
LCV and MHCV Split

Source: Company, CEBPL

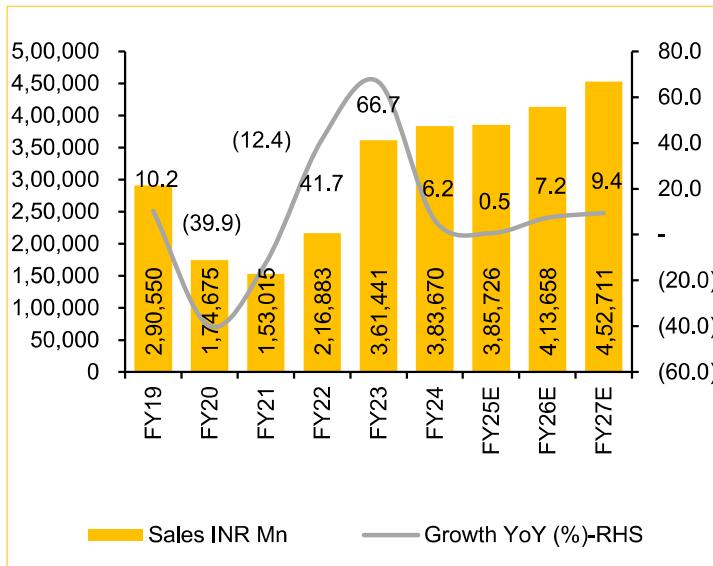
*All figures are in INR Million

MHCV Market Share Trend

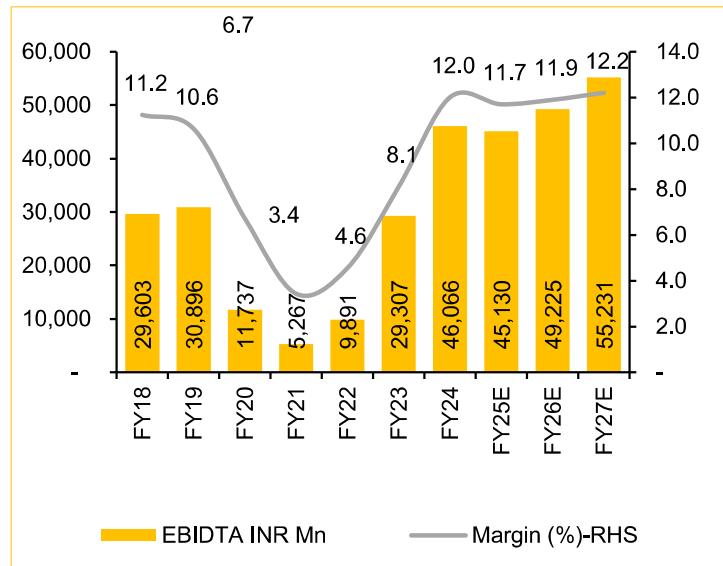
Source: Company, CEBPL

Volume expected to grow at a CAGR of 3.2% over FY24-27

Source: Company, CEBPL

Revenue set to rise, driven by New Product Launches

Source: Company, CEBPL

EBITDA expected to grow at a CAGR of 6.2% over FY24-27

Source: Company, CEBPL

Income Statement

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	3,61,441	3,83,670	3,85,726	4,13,658	4,52,711
Gross Profit	82,950	1,04,550	1,08,775	1,15,824	1,26,759
EBITDA	29,307	46,066	45,130	49,225	55,231
Depreciation	7,320	7,178	7,675	8,028	8,190
EBIT	21,987	38,888	37,455	41,198	47,041
Interest Expenses	2,891	2,494	1,752	1,233	949
Other Income	1,161	2,466	2,663	2,796	2,936
Exceptional Item	846	(937)	-	-	-
Reported PAT	13,801	26,179	27,624	30,788	35,300
Adjusted PAT	13,801	26,179	27,624	30,788	35,300
EPS (INR)	5	9	9	10	12
NOPAT	14,379	26,845	26,968	29,662	33,869

Source: Company, CEBPL

Balance Sheet

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net worth	84,258	88,104	1,00,534	1,14,389	1,30,274
Minority Interest	-	-	-	-	-
Deferred Tax	5,035	5,563	5,563	5,563	5,563
Total Debt	31,801	22,545	15,545	11,545	9,545
Other Liabilities & Provisions	8,342	10,582	11,059	11,008	11,423
Total Net Worth & Liabilities	1,29,436	1,26,794	1,32,701	1,42,505	1,56,805
Net Fixed Assets	63,042	59,518	56,703	54,676	53,486
Capital Work in Progress	490	955	3,615	3,795	4,005
Investments	66,636	55,598	58,107	65,107	73,107
Cash & Bank Balance	5,013	34,382	17,362	23,473	36,270
Loans & Advances & Other Assets	6,427	5,906	7,781	7,356	8,051
Net Current Assets	(7,159)	4,817	6,495	11,571	18,157
Total Assets	1,29,436	1,26,794	1,32,702	1,42,506	1,56,806
Capital Employed	1,16,059	1,10,649	1,16,079	1,25,934	1,39,819
Invested Capital	1,10,557	75,312	95,102	98,666	99,544
Net Debt	26,788	(11,837)	(1,817)	(11,927)	(26,724)
FCFF	16,477	20,911	28,456	35,082	43,650

Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
CFO	21,360	25,031	33,316	41,082	50,650
Capex	(4,884)	(4,120)	(4,860)	(6,000)	(7,000)
FCFF	16,477	20,911	28,456	35,082	43,650
CFI	(17,345)	9,021	(11,904)	(12,755)	(15,905)
CFF	(9,402)	(19,175)	(23,469)	(22,217)	(21,949)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	66.7	6.2	0.5	7.2	9.4
EBITDA	196.3	57.2	(2.0)	9.1	12.2
PAT	154.7	89.7	5.5	11.5	14.7
Margin ratios					
EBITDA	8.1	12.0	11.7	11.9	12.2
PAT	3.8	6.8	7.2	7.4	7.8
Margin Ratios (%)					
EBITDA	0.7	0.5	0.7	0.8	0.9
PAT	19.3	33.2	35.0	41.6	50.9
Performance Ratios (%)					
OCF/EBITDA (X)	18.9	35.1	32.3	32.7	33.6
OCF/IC	13.0	35.6	28.4	30.1	34.0
ROE	19.9	51.6	39.4	41.8	47.3
ROCE	3.2	3.3	3.2	3.3	3.4
Turnover Ratios (Days)					
Inventory	28	30	32	33	32
Debtor	41	34	38	40	40
Payables	72	60	65	63	63
Cash Conversion Cycle	(3)	4	5	10	9
Financial Stability Ratios (x)					
Net Debt to Equity	0.3	(0.1)	(0.0)	(0.1)	(0.2)
Net Debt to EBITDA	0.9	(0.3)	(0.0)	(0.2)	(0.5)
Interest Cover	7.6	15.6	21.4	33.4	49.6
Valuation Metrics					
Fully Diluted Shares (Mn)	2,936	2,936	2,936	2,936	2,936
Price (INR)	220	220	220	220	220
Market Cap(INR Mn)	6,45,942	6,45,986	6,45,986	6,45,986	6,45,986
PE(x)	47	25	23	21	18
EV (INR Mn)	6,72,730	6,34,150	6,44,169	6,34,059	6,19,262
EV/EBITDA (x)	23	14	14	13	11
Book Value (INR/share)	29	30	34	39	44
Price to BV (x)	7.7	7.3	6.4	5.6	5.0
EV/OCF (x)	31	25	19	15	12

Source: Company, CEBPL

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