

Q4FY25

Ashok Leyland Ltd.



Ashok Leyland Ltd. Steady growth outlook led by replacement demand, increase in market share and sustained margins

CMP INR 239	Target INR 285	Potential Upside 19.2%	Market Cap (INR Mn) 6,97,425	Recommendation BUY	Sector Automobile
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Result highlights for Q4FY25

- Ashok Leyland's volume stood at 59,176 units, an increase of 4.9% YoY (+27.5% QoQ). Revenue stood at INR 119.1 Bn, up 5.7% YoY (+25.6% QoQ), in-line with our estimates (+2.0%).
- EBITDA stood at INR 17,910 Mn., up 12.5% YoY (+47.8% QoQ), above our estimates by 14.5%, driven by operating expenses.
- Adjusted net profit stood at INR 12,595 Mn., up 29.8% YoY (+65.3% QoQ), sharply above our estimates by 20.4%, driven by better operational performance and higher other income.
- **We have revised our FY26E/FY27E EPS estimates by +1.3%/+2.2%, respectively, reflecting higher growth momentum, improving industry outlook, and sustained demand for MHCVs and buses. Moreover, our estimates baked in margin resilience led by better product mix, positive operating leverage.**
- **We expect the revenue/EBITDA/Adj. PAT to grow at 8.9% /15.5% /17.4% CAGR, respectively, over FY25-FY27E. Currently, the stock is trading at a PE multiple of 18.5x/16.0x based on FY26E/FY27E EPS, respectively.**
- **We value Ashok Leyland at 19.0x FY27E EPS, implying a target price of INR 285. We reiterate our "BUY" rating on the stock.**

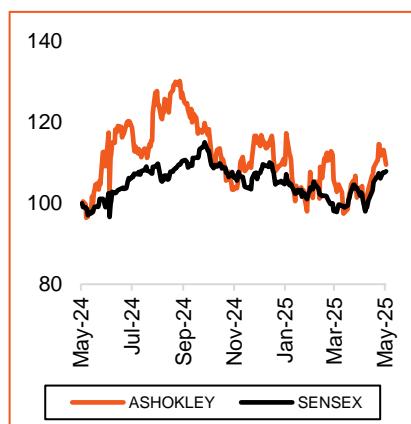
MARKET DATA

Shares O/S (Mn)	2,936
Mkt Cap (INR Mn)	6,97,425
52 Wk H/L (INR)	265/192
Volume Avg (3m K)	7,378
Face Value (INR)	1
Bloomberg Code	AL IN

KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	3,61,441	3,83,670	3,87,528	4,16,343	4,59,616
EBITDA	29,307	46,066	49,306	58,068	65,761
PAT	13,801	26,179	33,033	38,056	44,102
Adj. PAT	12,955	27,116	31,996	38,056	44,102
EPS	4.7	8.9	11.2	13.0	15.0
Adj. EPS	4.4	9.2	10.9	13.0	15.0
EBITDA Margin (%)	8.1%	12.0%	12.7%	13.9%	14.3%
Adj. NPM (%)	3.6%	7.1%	8.3%	9.1%	9.6%

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE

Strong volume-led recovery with resilient margin expansion driven by cost discipline

- For Q4FY25, AL reported revenue of INR 1,19,067 Mn, registering a growth of 5.7% YoY (+25.6% QoQ), aided by a strong recovery in volumes. Aggregate volumes during the quarter rose by 4.9% YoY and 27.5% QoQ, reflecting a robust rebound in demand across segments.
- Growth was led by the MH&CV segment, which contributed 67.4% to total volumes, grew by 7.3% YoY (+32.8% QoQ). The LCV segment, accounting for 32.6% of total volumes, remained flat on a YoY basis.
- Average realization for the quarter improved marginally by 0.6% YoY, though moderated by 1.5% on a QoQ basis, impacted in part by product and regional mix dynamics.
- Gross margin for the quarter expanded by 124bps YoY (+90bps QoQ), supported by favorable commodity costs and continued traction on cost optimization initiatives. Management highlighted that material cost as a percentage of revenue declined to the lowest level in eight quarters, aided by a combination of softer input prices and ongoing value engineering efforts.
- EBITDA stood at INR 17,910 Mn, registering a growth of 12.5% YoY (+47.8% QoQ). The expansion in EBITDA margin by 91bps YoY (+226bps QoQ) was primarily driven by operating leverage benefits and disciplined cost control across manufacturing and sourcing functions.

MARKET INFO

SENSEX	81,312
NIFTY	24,752

SHARE HOLDING PATTERN (%)

Particulars	Mar-25	Dec-24	Sep-24
Promoters	51.5	51.5	51.5
FIIs	23.5	24.1	24.4
DILs	14.1	13.0	12.3
Others	10.9	11.4	11.8
Total	100.0	100.0	100.0

*Based on the previous closing

*Note: All the market data is as of the previous closing.

8.9%

Revenue CAGR between
FY25 and FY27E

17.4%

Adj. Net Profit CAGR
between FY25 and FY27E

Ashok Leyland Ltd.

Improving outlook across core and emerging growth vectors

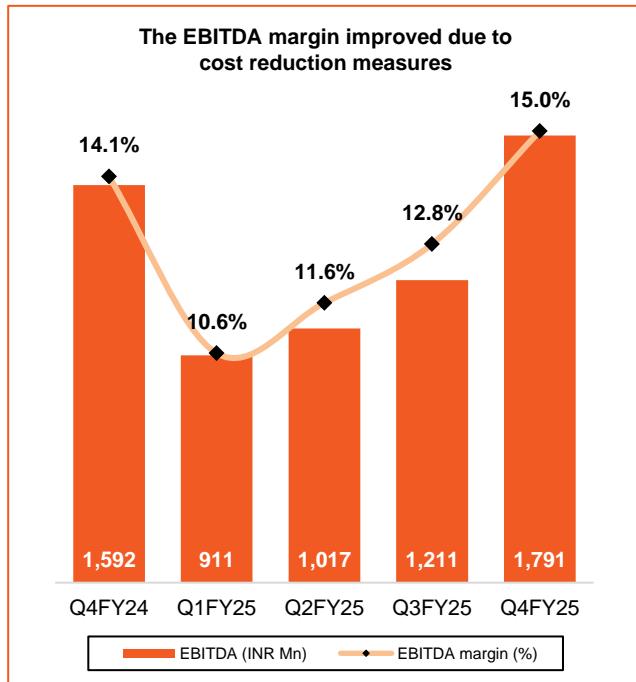
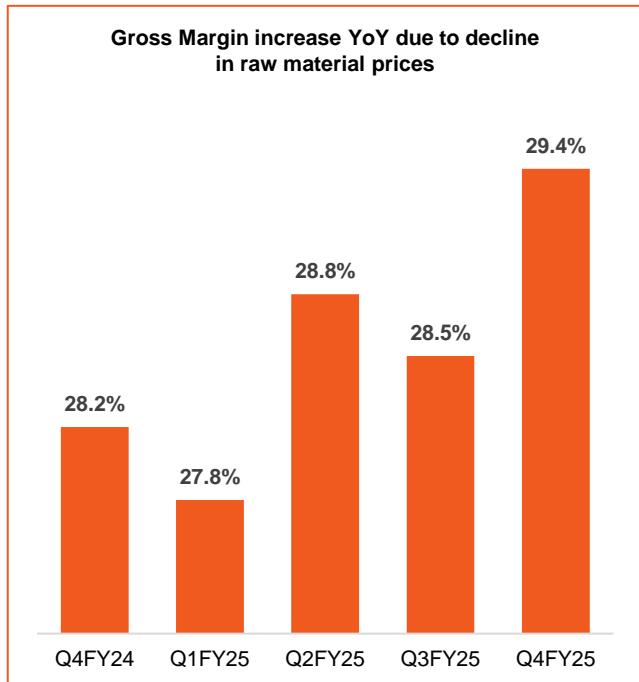
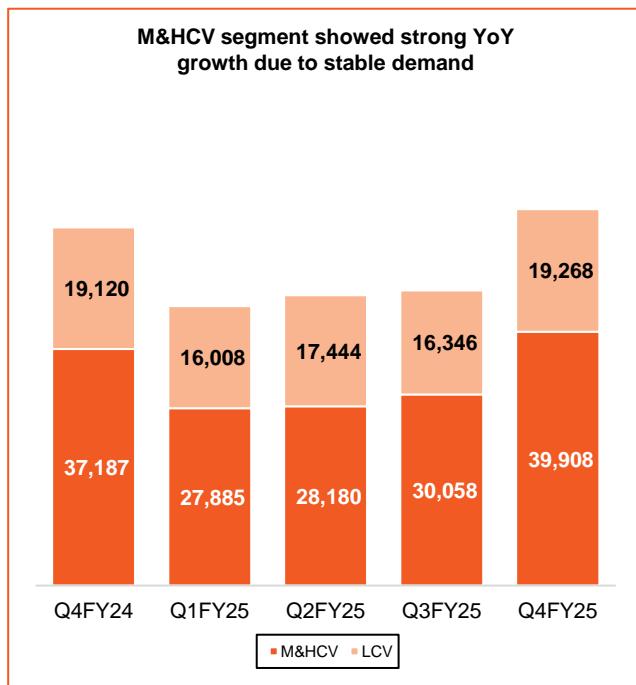
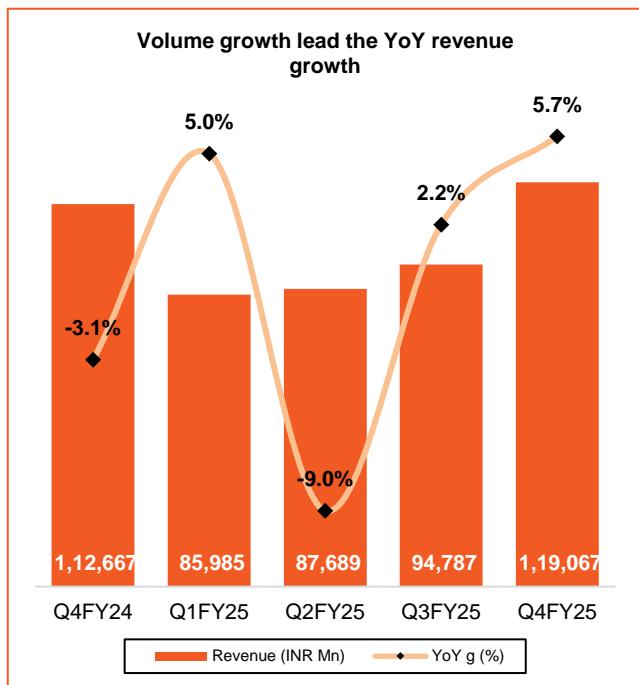
- The outlook remains robust, led by a pickup in infrastructure activity, government capex, and rising replacement demand. Easing interest rates, budget-driven consumption push, and a favorable monsoon are expected to support freight and fleet metrics.
- In LCVs, AL aims to expand its addressable market from 50.0% to 80.0% via multiple new launches.
- The ICV bus portfolio is being revamped to capture small bus demand. Exports grew 29.0% YoY in FY25, with plans to enter new geographies.
- With an aging fleet (>10 years), a sharp replacement cycle is expected. AL's upcoming LCVs, strong MHCV/bus pipeline, and dealer expansion in the North and East should drive outperformance.
- Margin expansion is expected to sustain, aided by export scale, cost savings, lower discounts, and growth in defense and spare parts. The company remains on track to achieve its mid-teen EBITDA margin target.

Key Con-call Highlights

- **Industry outlook - CV demand is expected to grow at a single-digit pace in FY26E**, with broad-based momentum across segments. Growth will be supported by the revival in infrastructure activity, government capex, rising replacement demand, easing interest rates, budget-led consumption support, and favorable monsoon forecasts. Freight rates and fleet utilization trends also remain constructive.
- Strong growth is anticipated in buses, tractor-trailers, and tippers. While Q1FY26E may remain subdued due to a high base, a sharp recovery is expected from Q2FY26E onward. Though the Dedicated Freight Corridor (DFC) may pose some long-term risk, the CV industry remains structurally well-positioned, underpinned by robust economic activity and elevated fleet replacement needs, with the average vehicle age now at ~9.5–10 years versus the normal 7–7.5 years.
- **Diversifying into non-cyclical growth levers:** AL continues to scale its presence in exports, defence, and aftermarket parts, enabling EBITDA breakeven at lower MHCV volumes through stronger contribution margins.
- **LCV expansion underway:** The company targets expanding market coverage from 50.0% to 80.0% over the next 3 - 4 years. Recent launches, including the "Saathi" in the sub-2T segment, position AL to gain share, with a 25.0% medium-term target in the 2 - 4T category.
- **Buses** - The bus segment is expected to sustain strong growth in FY26E, supported by pent-up replacement demand across both state transport undertakings (STUs) and private operators. The electric bus market is poised for healthy expansion, with STUs leading initial adoption and private fleet participation likely to accelerate over the medium term.
- **Export momentum intact:** FY25 exports grew 29.0% YoY, supported by high-margin contribution. Focus on ASEAN is increasing, with plans to deepen presence in both existing and new geographies.
- **AC cabin readiness:** AL's truck portfolio is fully compliant with upcoming AC cabin norms, with associated costs (0.5-2.0%) expected to be passed through to customers.
- **Non-CV segments resilient:** In Q4FY25, engine volumes rose 4.0% YoY while aftermarket revenues grew 15.0%. FY25 growth stood at 2.0% and 14.0% respectively, despite a high base.
- **Defence scale-up in focus:** The company is confident of doubling its current defence revenue (over Rs 10 Bn) within the next 2–3 years, backed by a strong order pipeline. Additionally, it plans to enter non-mobility defence product categories over the longer term.
- **Commodity cost outlook:** Steel cost pressures from safeguard duties may persist for 3–5 months, but this is partly offset by easing prices of rubber and other inputs.
- **Sustained margin trajectory:** With Q4FY25 EBITDA margins already at 15.0%, AL remains on track to sustain mid-teen margins, led by product premiumization, cost efficiency, and higher after-sales income.
- **Switch Mobility & OHM:** Switch India turned EBITDA positive in FY25, achieving double-digit margins in Q4FY25. The order book exceeds 1,800 units. PAT-level breakeven is targeted in FY26E. OHM operates 650 e-buses and aims to add 1,700 units in FY26E, with ~50.0% to be supplied by Switch.
- **HLFL (Hinduja Leyland Finance Limited) update:** HLFL's listing is delayed pending final approvals. In FY25, AUM rose 25.0% to INR 617 Bn, revenues grew 35.0% YoY, and PAT improved 21.0%. Asset quality improved with GNPA/NNPA at 3.5%/2.1%.
- **Capex and investments:** AL plans INR 10 Bn capex in FY26E, focused on product development, alternative fuels, and EV components. Funding support of INR 1-2 Bn for Switch, INR 3-4 Bn for OHM, and additional investment in HLFL is earmarked.
- **EV and alt-fuel initiatives:** The "eTiran" electric terminal tractor is expected to launch commercially within a year. Product launches in the LNG truck segment are also planned.
- **The board has declared a dividend of INR 6.25 per share in FY25.**

Ashok Leyland Ltd.

Story in charts



Source: Company, DevenChoksey Research

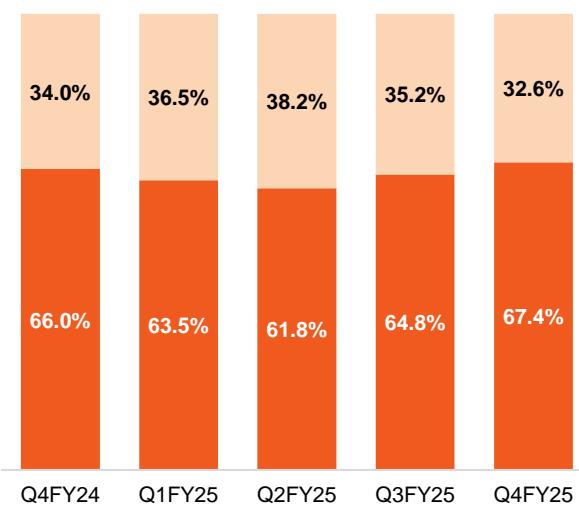
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RESULT SNAPSHOT

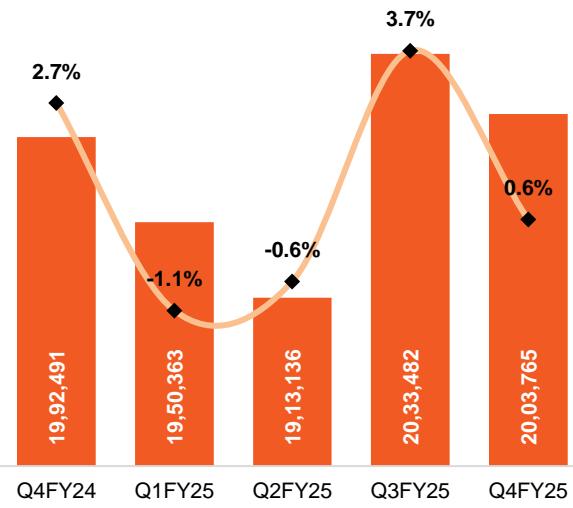
Particulars (INR Mn)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y	FY25	FY24	Y-o-Y
No. of vehicles sold	59,176	46,404	56,437	27.5%	4.9%	1,95,097	1,94,683	0.2%
Sales	1,19,067	94,787	1,12,667	25.6%	5.7%	3,87,528	3,83,670	1.0%
Total Expenditure	1,01,158	82,672	96,746	22.4%	4.6%	3,38,222	3,37,605	0.2%
Cost of Raw Materials	73,720	63,674	74,925	15.8%	(1.6%)	2,57,117	2,69,165	(4.5%)
Purchase of Stock	4,634	3,934	4,245	17.8%	9.2%	16,805	15,064	11.6%
Changes in Inventories	5,674	135	1,736	NA	NA	2,306	(5,109)	145.1%
Employee Cost	6,515	6,064	5,535	7.4%	17.7%	24,063	22,334	7.7%
Other Expenses	10,614	8,866	10,305	19.7%	3.0%	37,931	36,151	4.9%
EBITDA	17,910	12,114	15,921	47.8%	12.5%	49,306	46,066	7.0%
EBITDA Margin (%)	15.0%	12.8%	14.1%	226 bps	91 bps	12.7%	12.0%	72 bps
Depreciation	1,789	1,923	1,797	(7.0%)	(0.5%)	7,193	7,178	0.2%
EBIT	16,121	10,191	14,124	58.2%	14.1%	42,112	38,888	8.3%
EBIT Margin (%)	13.5%	10.8%	12.5%	279 bps	100 bps	10.9%	10.1%	73 bps
Interest Expense	471	501	592	(5.9%)	(20.4%)	2,169	2,494	(13.0%)
Other income	1,059	247	1,179	328.7%	(10.2%)	2,503	2,466	1.5%
PBT	16,709	9,938	14,711	68.1%	13.6%	42,446	38,859	9.2%
Exceptional items	(137)	0	(697)	NA	(80.4%)	1,037	(937)	(210.7%)
Tax	4,114	2,320	5,010	77.3%	(17.9%)	10,450	11,743	(11.0%)
Minority interest	0	0	0	NA	NA	0	0	NA
PAT	12,459	7,617	9,004	63.6%	38.4%	33,033	26,179	26.2%
PAT Margin (%)	10.5%	8.0%	8.0%	243 bps	247 bps	8.5%	6.8%	170 bps
Adj. PAT	12,595	7,617	9,701	65.3%	29.8%	31,996	27,116	18.0%
Adj. PAT Margin (%)	10.6%	8.0%	8.6%	254 bps	197 bps	8.3%	7.1%	119 bps
Diluted EPS (INR)	4.2	2.6	3.1	63.6%	38.7%	11.2	8.9	26.4%

Source: Company, DevenChoksey Research

Volume Segment Break-up %



Realization remained muted YoY during the quarter



Source: Company, DevenChoksey Research

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Valuation and view

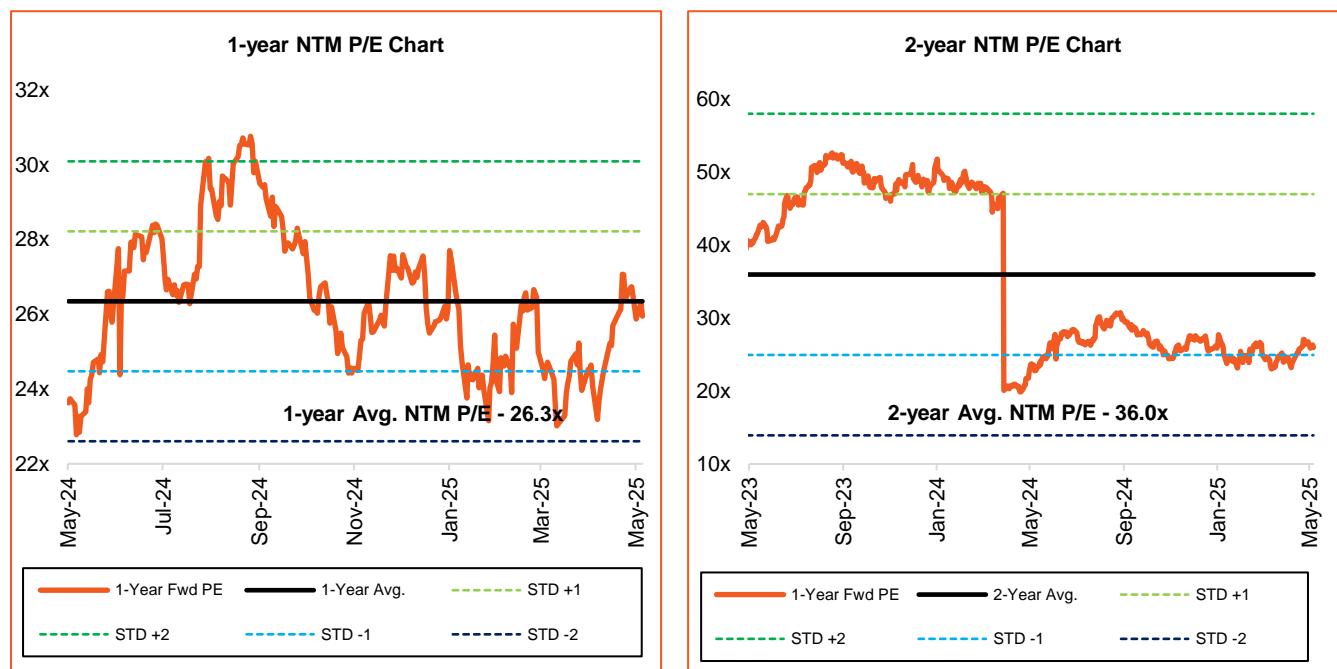
Ashok Leyland reported a strong Q4FY25 performance with healthy volume recovery, margin expansion, and improved operating leverage. Although, growth in exports, defence, and aftermarket continued to support profitability led by cost discipline and product premiumization, muted demand for LCV remain near-term commodity headwinds.

We believe the Company is well-positioned to benefit from infrastructure momentum, replacement demand, and electrification tailwinds. A robust product pipeline, expanding export footprint, and rising contribution from non-cyclical businesses will support it to sustain mid-teen EBITDA margins.

We have revised our FY26E/FY27E EPS estimates by +1.3%/+2.2%, respectively, reflecting higher growth momentum, improving industry outlook, and sustained demand for MHCVs and buses. Moreover, our estimates baked in margin resilience led by better product mix, positive operating leverage.

We expect the revenue/EBITDA/Adj. PAT to grow at 8.9% /15.5% /17.4% CAGR, respectively, over FY25-FY27E. Currently, the stock is trading at a PE multiple of 18.5x/16.0x based on FY26E/FY27E EPS, respectively.

We value Ashok Leyland at 19.0x FY27E EPS, implying a target price of INR 285. We reiterate our “BUY” rating on the stock.



Ashok Leyland Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY24	FY25	FY26E	FY27E
Revenues	3,83,670	3,87,528	4,16,343	4,59,616
COGS	2,79,120	2,76,228	2,94,313	3,24,870
Gross profit	1,04,550	1,11,300	1,22,030	1,34,747
Employee cost	22,334	24,063	24,124	26,924
Other expenses	36,151	37,931	39,838	42,062
EBITDA	46,066	49,306	58,068	65,761
EBITDA Margin	12.0%	12.7%	13.9%	14.3%
D&A	7,178	7,193	8,304	8,304
EBIT	38,888	42,112	49,765	57,457
Interest expense	2,494	2,169	2,242	2,482
Exceptional items	(937)	1,037	0	0
Other Income	2,466	2,503	2,551	2,911
PBT	37,922	43,483	50,074	57,886
Tax	11,743	10,450	12,018	13,784
PAT	26,179	33,033	38,056	44,102
EPS (INR)	8.9	11.3	13.0	15.0
Adj. PAT	27,116	31,996	38,056	44,102
Adj. EPS (INR)	9.2	10.9	13.0	15.0

Exhibit 2: Balance Sheet

INR Mn	FY24	FY25	FY26E	FY27E
Equity				
Equity Capital	2,936	2,937	2,937	2,937
Other Equity	85,167	1,12,251	1,31,961	1,55,132
Total Equity	88,104	1,15,188	1,34,897	1,58,069
Non-Current Liabilities				
Secured and unsecured loans	11,610	9,340	10,340	11,340
Deferred tax liabilities	5,563	5,479	5,479	5,479
Other Current Liabilities	10,288	10,944	10,944	10,944
Total Non-Current Liabilities	27,462	25,763	26,763	27,763
Current Liabilities				
Other financial liabilities	11,384	5,478	5,478	5,478
Provisions	6,507	8,252	8,252	8,252
Trade Payables	67,812	77,265	77,288	85,312
Other current liabilities	34,850	23,313	23,257	23,257
Total Current Liabilities	1,20,552	1,14,308	1,14,274	1,22,298
Total Liabilities	1,48,014	1,40,070	1,41,037	1,50,061
Non-Current Assets				
PPE	47,375	46,820	53,278	58,850
Investments	53,759	62,293	66,925	73,881
Other current assets	18,352	22,823	22,269	22,569
Total Non-Current Assets	1,19,487	1,31,935	1,42,472	1,55,299
Current Assets				
Inventories	31,907	29,573	32,026	35,355
Trade Receivables	35,697	28,873	34,685	38,291
Loans	2,418	1,182	1,182	1,182
Cash and Bank	19,419	26,598	24,832	33,263
Other current assets	27,191	37,096	40,736	44,740
Total Current Assets	1,16,631	1,23,323	1,33,462	1,52,831
Total Assets	2,36,118	2,55,258	2,75,934	3,08,129

Exhibit 4: Key Ratios

INR Mn	FY24	FY25	FY26E	FY27E
EBITDA Margin (%)	12.0%	12.7%	13.9%	14.3%
Tax rate (%)	31.0%	24.0%	24.0%	23.8%
Net Profit Margin (%)	6.8%	8.5%	9.1%	9.6%
RoE (%)	30.4%	32.5%	30.4%	30.1%
RoCE (%)	22.7%	23.4%	23.5%	23.7%
Adj. EPS (INR)	9.2	10.9	13.0	15.0
Adj. PE	26.0x	22.0x	18.5x	16.0x

Source: Company, DevenChoksey Research

Ashok Leyland Ltd.

Ashok Leyland Ltd.

Date	CMP (INR)	TP(INR)	Recommendation
28-May-25	239	285	BUY
13-Feb-25	217	252	BUY
11-Nov-24	224	252	ACCUMULATE
29-Jul-24	256	282	ACCUMULATE
31-May-24	224	243	ACCUMULATE
16-Feb-24	175	221	BUY

Rating Legend (Expected over a 12-month period)

Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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