

August 20, 2025

## Holding ground amidst demand softness...

**About the stock:** Ashok Leyland (ALL) is a pure-play CV manufacturer domestically, with FY25 market share pegged at 18.8% (flat YoY). It is present in M&HCV trucks and buses as well as LCV goods segments. It also has formidable presence in e-mobility (Electric buses) domain though Switch Mobility.

- FY25 product mix – LCV goods 35%, trucks 50%, buses 15%

**Q1FY26 Results:** Standalone operating income for Q1FY26 came in at ₹ 8,725 crore, up 1.5% YoY amidst 1% growth in volumes to 44k units. Share of M&HCV in total volume mix for the quarter stood at 63.5% vs. 67.4% in Q4FY25. EBITDA for the quarter came in at ₹ 970 crore with margins at 11.1%, down 390 bps QoQ, up 50 bps YoY. Consequent PAT in Q1FY26 came in at ₹ 594 crore (up 13% YoY).

### Investment Rationale

- Steady Industry outlook with Market Share Gains:** Domestic CV industry witnessed a cyclical recovery over FY21-25 with volumes growing healthy ~14% CAGR to ~9.5 lakh units in FY25, in close proximity to the previous cyclical high of ~10.1 lakh units clocked in FY19. This was supported by robust infrastructure spend by the government coupled with revival in private capex cycle. In Q1FY26, despite a 2% decline in the domestic industry, ALL's domestic MHCV volumes (ex-defence) grew 2% to 25,641 units maintaining solid 30%+ market share while domestic LCV volumes were at 15,566 units (+1.4% YoY) with a market share of ~13%. ALL is capitalizing on pent-up demand in buses & rising replacement needs. Also, with 29% export growth in Q1, it is successfully expanding its international footprint. Going forward with improved fleet utilization levels, pick up in government capex, and interest rate-cut transmission, AL expects volumes and margins to improve in H2FY26. For FY26, the company continues to guide for mid-single-digit volume growth in MHCV & LCV domains.
- EV Transaction with robust product pipeline across:** ALL is emphasizing product premiumization & segment specific enhancements, evident in initiatives like CNG buses & EV ready platforms. Its EV subsidiary, Switch India, turned PBT positive in Q1 & targets full year PAT positivity with an orderbook of 1500+ buses, while OHM continues to expand its e-bus fleet under GCC model. With multiple new product launches lined up across segments, coupled with a ramp-up of capacities at new & existing plants, ALL is positioned for steady medium-term volume growth. B/S too has improved with company having a net cash position of ~₹ 800 crores Q1FY26 end. Muted growth prospects however will weigh on such improved financials with valuations steady at ~12x EV/EBITDA on FY27E.

### Rating and Target Price

- ALL strong positioning in MHCVs, export momentum & progress in EVs support its long-term growth narrative, however muted industry demand in the near term will keep stock price gains under check. We maintain **HOLD** rating on the stock and value ALL at SOTP based target price of ₹145 (12x core FY27E EV/EBITDA, 2x P/B for long term investments)

### Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	15,301	21,688	36,144	38,367	38,753	17.3%	41,485	45,273	8.1%
EBITDA	535	995	2,931	4,607	4,931	33.3%	5,230	5,889	9.3%
EBITDA Margins (%)	3.5	4.6	8.1	12.0	12.7		12.6	13.0	
Net Profit	(314)	542	1,380	2,618	3,303	69.0%	3,301	3,741	6.4%
EPS (₹)	(0.5)	0.9	2.4	4.5	5.6		5.6	6.4	
P/E	NM	NM	56.6	29.8	23.6		23.7	20.9	
RoNW (%)	(4.4)	0.2	15.7	30.4	28.0		25.5	25.6	
RoCE (%)	(1.9)	2.1	17.0	30.7	28.8		28.3	29.4	

Source: Company, ICICI Direct Research



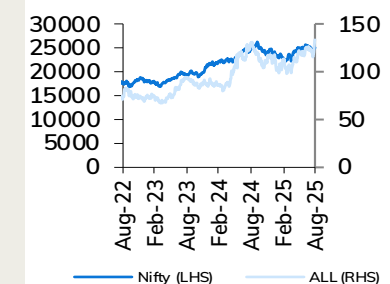
### Particulars

Particular	₹ crore
Market Capitalization	78,111
Total Debt (FY25)	1,435
Cash & Inv. (FY25)	5,725
EV (₹ Crore)	73,822
52 week H/L (₹)	133 / 95
Equity capital (₹ crore)	587.3
Face value (₹)	1.0

### Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	51.5	51.5	51.5	51.5
FII	24.4	24.1	23.5	24.0
DII	12.3	13.0	14.1	13.6
Other	11.8	11.4	10.9	10.9

### Price Chart



### Recent Event & Key risks

- We built in ~5.4% volume CAGR over FY25-27E.
- Key Risk: (i) moderation in margin profile due to higher commodity prices (ii) Higher than expected recovery in CV volumes

### Research Analyst

Shashank Kanodia, CFA  
shashank.kanodia@icicisecurities.com

Bhavish Doshi  
Bhavish.doshi@icicisecurities.com

## Key takeaways of Recent Quarter

### Q1FY26 Earnings Conference Call highlights

**Volumes & revenue mix:** Despite a 2% decline in the domestic industry, Ashok Leyland's domestic MHCV volumes (ex-defence) grew 2% to 25,641 units. Domestic LCV volumes were 15,566 units (+1.4% YoY). Non-CV businesses continued to scale: aftermarket revenue grew 8% YoY & Power Solutions grew 28.5% YoY.

**Costs, pricing & margins:** Material cost was 70.6% of revenue—flat QoQ & 160 bps lower YoY—despite pressures from steel safeguard duty & tariff volatility. Gains came from ongoing other cost savings, better price realization, & a healthier mix. Margins were largely affected by rise in steel prices.

**Product & Capacity pipeline:** Management plans multiple launches in FY26 across MHCV and LCV: 280/320/360 hp tippers, tractor-trailers and multi-axle trucks with heavy-duty aggregates; the first LNG trucks (multiple applications) later this year; an upgraded 13.5-m bus and a new 15-m bus; and a bi-fuel LCV for metro demand. E-trucks on BOS/TAR platforms are gaining customer orders. Capacity is being augmented: the new Andhra Pradesh plant (inaugurated in Q4FY25) is ramping toward ~200 units/month & a new modern bus plant is slated to go live in Q3FY26.

**Capital Allocation:** Beyond the already-announced ₹300 crores additional investment into OHM (after a prior ₹300 crores), management does not foresee major new investments in Q2/Q3; any temporary working-capital support may be provided to subsidiaries like Switch India (route to be determined), with decisions on larger spends pushed to Q4.

**Future Outlook:** Management stays optimistic on both MHCV and LCV. With fleet utilization steady, freight rates/operating profitability trending up, government capex rising, and rate-cut transmission pending, AL expects volumes and margins to improve in H2 FY26; Q2 could be better than Q1 given last year's low base. For FY26, the company continues to guide to mid-single-digit growth in MHCV and slightly higher (still mid-single) in LCV.

**Network & touchpoints:** AL added 23 MHCV and 13 LCV touchpoints in Q1 (now 1,073 and 851, respectively) and targets >2,000 combined by FY26-end. Customer-facing initiatives lifted rankings to #1 in Dealer Satisfaction Index and #2 in Customer & Sales Satisfaction Index.

**International Business:** Exports rose 29% YoY, with strong momentum in GCC (Q1 growth 60%+); the UAE plant is running near capacity, and Saudi is also strong. Management expects SAARC and Africa to bounce back after Q1 softness.

**Switch Mobility & EV Business:** Switch India, EBITDA-positive last year, reached PBT breakeven in Q1; the goal is PAT-positive in FY26 with an order book of 1,500+ buses. Switch UK is winding down manufacturing at Sherburn, with production for UK/EU shifting to other facilities. OHM operates 850+ e-buses, added 200+ in Q1, and is targeting 2,500+ within 12 months.

**Others:** Net cash (net of debt) stood at ~₹800 crore at June-end, a ~₹2,000 crore swing YoY from net debt the prior year. MHCV market share (ex-defence/EV) improved to 31.1% (vs 29.8% YoY), while 0–7.5 t LCV share rose to 12.9%.

**Regulations & tech (AC mandate, IVAC):** The company rolled out factory-fitted ACs across product lines in Q1; the transition was smooth with supply chain aligned. To mitigate any mileage impact, AL introduced the Intelligent Vehicle Acceleration Control (IVAC) system on many products to improve fuel efficiency.

## Exhibit 1: Quarterly Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Total Operating Income	8,725	8,599	1.5	11,907	-26.7
Raw Material Expenses	6,163	6,205	-0.7	8,403	-26.7
Employee Expenses	612	550	11.4	651	-6.0
Other expenses	980	933	5.0	1,061	-7.7
EBITDA	970	911	6.4	1,791	-45.9
EBITDA Margin (%)	11.1	10.6	52 bps	15.0	-393 bps
Other Income	53	22	136.6	106	-50.1
Depreciation	183	173	5.8	179	2.2
Interest	42	59	-29.1	47	-11.2
Tax	204	176	16.0	411	-50.4
Reported PAT	594	526	13.0	1,246	-52.3
EPS	1.0	0.9	13.0	2.1	-52.3
<b>Key Metrics</b>					
ASPs (₹ lakh/unit)	19.7	19.6	0.7	20.1	-2.0

Source: Company, ICICI Direct Research

## Exhibit 2: Volume Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
M&HCV Passenger volumes	19,871	23,323	5,629	7,799	18,150	24,663	29,169	33,065	35,676
M&HCV Goods volumes	1,22,987	55,231	46,178	66,086	1,05,959	1,00,222	96,862	99,935	1,05,105
Total M&HCV Sales Volume	1,42,858	78,554	51,807	73,885	1,24,109	1,24,885	1,26,031	1,33,000	1,40,781
LCV volumes	54,508	46,646	48,908	54,441	68,096	69,800	69,066	71,806	75,816
Total Sales Volume	1,97,366	1,25,200	1,00,715	1,28,326	1,92,205	1,94,685	1,95,097	2,04,806	2,16,597
YoY Growth (%)		-37%	-20%	27%	50%	1%	0%	5%	6%

Source: Company, ICICI Direct Research

## Exhibit 3: SOTP-based valuations

<b>SOTP</b>	
Target EV/EBITDA (x)	12.0
EBITDA (₹ crore; FY27E)	5,889
Enterprise Value (₹ Crore)	70,663
Net Debt (₹ crore; FY27E)	(5,245)
Target Market cap Core business (₹crore)	75,908
<b>Value/Share (A)</b>	<b>130</b>
Strategic long term Investments FY27E (₹ crore)	6,154
P/BV(x)	2.0
<b>Total Value/Share post applying 20% Holdco. Discount (B)</b>	<b>15</b>
<b>Price target (₹, A+B)</b>	<b>145</b>

Source: ICICI Direct Research

## Financial Summary

## Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	38,367	38,753	41,485	45,273
Growth (%)	6.2	1.0	7.0	9.1
Raw Material Expenses	27,912	27,623	29,420	32,140
Employee Expenses	2,233	2,406	2,548	2,717
Other Expenses	3,615	3,793	4,287	4,527
Total Operating Expenditure	33,761	33,822	36,255	39,385
EBITDA	4,607	4,931	5,230	5,889
Growth (%)	57.2	7.0	6.1	12.6
Depreciation	718	719	747	815
Interest	249	217	165	127
Other Income	247	250	239	250
PBT	3,886	4,245	4,558	5,196
Exceptional chages	94	-104	0	0
Total Tax	1,174	1,045	1,257	1,455
PAT	2,618	3,303	3,301	3,741
Growth (%)	89.7	26.2	-0.1	13.3
EPS (₹)	4.5	5.6	5.6	6.4

Source: Company, ICICI Direct Research

## Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	2,618	3,303	3,301	3,741
Add: Depreciation	718	719	747	815
(Inc)/dec in Current Assets	455	1,368	(1,029)	(697)
Inc/(dec) in CL and Provisions	(181)	(35)	(345)	964
CF from operating activities	3,860	5,573	2,839	4,950
(Inc)/dec in Investments	1,104	(3,113)	250	(1,000)
(Inc)/dec in Fixed Assets	(540)	(887)	(1,000)	(800)
Others	467	(674)	(131)	(146)
CF from investing activities	1,032	(4,674)	(881)	(1,946)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(926)	(819)	(250)	(250)
Dividend paid & dividend tax	1	(1,835)	(1,850)	(2,114)
Others	(1,030)	1,023	(165)	(127)
CF from financing activities	(1,954)	(1,631)	(2,265)	(2,492)
Net Cash flow	2,937	(732)	(306)	512
Opening Cash	501	3,438	2,706	2,400
Closing Cash	3,438	2,706	2,400	2,911

Source: Company, ICICI Direct Research

## Exhibit 6: Balance Sheet ₹crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Liabilities</b>				
Equity Capital	294	294	587	587
Reserve and Surplus	8,517	11,225	12,382	14,009
Total Shareholders funds	8,810	11,519	12,970	14,597
Total Debt	2,255	1,435	1,185	935
Deferred Tax Liability	556	548	548	548
Other non-current liabilities	334	417	442	467
Total Liabilities	12,679	14,628	15,864	17,276
<b>Assets</b>				
Gross Block	10,048	10,711	11,886	12,686
Less: Acc Depreciation	5,310	6,029	6,776	7,591
Net Block	4,737	4,682	5,110	5,095
Capital WIP	202	425	250	250
Total Fixed Assets	4,939	5,107	5,360	5,345
Investments	5,311	5,654	5,904	6,154
Inventory	3,191	2,957	3,410	3,721
Debtors	3,570	2,887	3,410	3,721
Loans and Advances	95	-	-	-
Other current assets	1,121	763	817	891
Cash	3,438	2,706	2,400	2,911
Total Current Assets	11,414	9,314	10,036	11,245
Creditors	6,305	7,305	6,819	7,442
Provisions	651	825	770	841
Other current Liabilities	3,976	2,768	2,963	3,233
Total Current Liabilities	10,932	10,898	10,553	11,516
Net Current Assets	482	(1,584)	(517)	(271)
Application of Funds	12,679	14,628	15,864	17,276

Source: Company, ICICI Direct Research

## Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Per share data (₹)</b>				
EPS	4.5	5.6	5.6	6.4
Cash EPS	5.7	6.9	6.9	7.8
BV	15.0	19.6	22.1	24.9
DPS	2.5	3.1	3.2	3.6
Cash Per Share	5.9	4.6	4.1	5.0
<b>Operating Ratios (%)</b>				
EBITDA Margin	12.0	12.7	12.6	13.0
PBT / Net sales	10.1	11.0	11.0	11.5
PAT Margin	6.8	8.5	6.8	7.0
Inventory days	30.4	27.9	30.0	30.0
Debtor days	34.0	27.2	30.0	30.0
Creditor days	60.0	68.8	60.0	60.0
<b>Return Ratios (%)</b>				
RoE	30.4	28.0	25.5	25.6
RoCE	30.7	28.8	28.3	29.4
RoIC	44.2	49.7	41.9	46.8
<b>Valuation Ratios (x)</b>				
P/E	29.8	23.6	23.7	20.9
EV / EBITDA	16.6	15.0	14.2	12.4
EV / Net Sales	2.0	1.9	1.8	1.6
Market Cap / Sales	2.0	2.0	1.9	1.7
Price to Book Value	8.9	6.8	6.0	5.4
<b>Solvency Ratios</b>				
Debt/Equity	0.3	0.1	0.1	0.1
Current Ratio	0.9	0.7	0.8	0.8
Quick Ratio	0.6	0.4	0.5	0.5

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

## ANALYST CERTIFICATION

I/We, Shashank Kanodia, CFA, MBA (Capital Markets), Bhavish Doshi, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

## Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal  
Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Bhavesh Soni Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report