

June 1, 2026

Healthy results, near-term headwinds to weigh...

About the stock: Ashok Leyland (ALL) is a pure-play CV manufacturer domestically, with FY26 market share pegged at 18.7% (flattish 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.

- FY26 product mix – LCV goods 35%, trucks 50%, buses 15%

Q4FY26 Results: Standalone operating income for Q4FY26 came in at ₹ 14,160 crore, up ~19% YoY amidst 17% growth in volumes to ~69k units. Share of M&HCV in total volume mix for the quarter stood at 67% up ~200 bps QoQ. EBITDA for the quarter came in at ₹ 2,066 crore with margins at 14.6%, down ~50 bps YoY. Consequent PAT in Q4FY26 came in at ₹ 1,405 crore up 13% YoY.

Investment Rationale

- Steady Industry outlook with Market Share Gains:** Domestic commercial vehicle industry has seen a recovery while growing ~19% in Q4FY26 & ~12.6% in FY26 amidst GST-led price rationalization and consumption demand driving new vehicle purchases by fleet operators. Supported by this, ALL appears well positioned to benefit from a multi-year commercial vehicle replacement cycle, improving freight demand, and aging fleet replacement. The fleet age remains elevated (~10+ years), implying sustained replacement-driven demand in medium term. Going ahead, fleet operators continue to maintain aggressive replacement and expansion plans despite temporary diesel price hike-related disruptions. It maintained a healthy ~30% MHCV market share in Q4FY26 and retained leadership in buses with ~30%+ market share. The company's LCV business also showed strong traction, with Q4 domestic LCV volumes growing 23% YoY and Vahan market share improving by 90 bps YoY to 12.8%.
- Long-Term Outlook through Diversification and EV Execution:** Ashok Leyland's earnings profile is becoming structurally stronger through diversification into defence, aftermarket, finance subsidiaries, and electric mobility. The successful profitability turnaround at Switch Mobility (first time PAT > ₹100 crore) significantly reduces investor concerns around EV-related cash burn while creating optionality in future electric CV growth. Simultaneously, strong cash generation and a net cash balance sheet at ~₹6,000 crores, provide flexibility for technology investments without stressing returns. The defence order pipeline and recurring aftermarket revenues also improve business resilience across industry cycles. Together, these factors indicate a gradual transition from a purely cyclical CV manufacturer toward a more diversified mobility and industrial platform.

Rating and Target Price

- ALL strong positioning in MHCVs, export momentum & progress in EVs support its long-term growth narrative. However near-term uncertainties around commodity inflation, diesel price hikes led impact on CV demand & geopolitical disruptions, could moderate growth at ALL in the near term. We therefore maintain **HOLD** rating & value ALL at SOTP based TP of **₹170** (12x on FY28E EV/EBITDA, 2x P/B for long term investments).



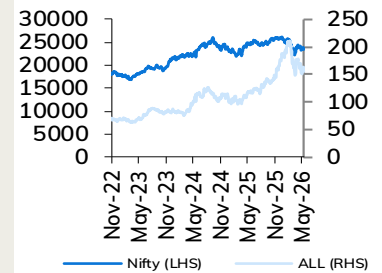
Particulars

Particular	₹ crore
Market Capitalization	91,045
Total Debt (FY26P)	1,152
Cash & Inv. (FY26P)	7,097
EV (₹ Crore)	85,100
52 week H/L (₹)	215 / 115
Equity capital (₹ crore)	587.4
Face value (₹)	1.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	51.5	51.5	51.5	51.5
FII	24.0	24.3	24.4	24.6
DII	13.6	13.6	13.7	13.1
Other	10.9	10.6	10.4	10.9

Price Chart



Recent Event & Key risks

- We built in ~8% volume CAGR over FY26P-28E with EBITDA margins seen in the 11-13% band.
- Key Risk: (i) Higher than expected recovery in CV volumes (ii) moderation in margin profile due to higher commodity prices

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Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	FY25	FY26P	4 year CAGR (FY22-26P)	FY27E	FY28E	2 year CAGR (FY26P-28E)
Net Sales	21,688	36,144	38,367	38,753	44,007	19.4%	48,396	52,124	8.8%
EBITDA	995	2,931	4,607	4,931	5,732	54.9%	5,568	6,628	7.5%
EBITDA Margins (%)	4.6	8.1	12.0	12.7	13.0		11.5	12.7	
Net Profit	542	1,380	2,618	3,303	3,566	60.2%	3,740	4,524	12.6%
EPS (₹)	0.9	2.4	4.5	5.6	6.1		6.4	7.7	
P/E	NM	65.9	34.8	27.5	25.5		24.3	20.1	
RoNW (%)	0.2	15.7	30.4	28.0	29.2		25.3	26.9	
RoCE (%)	2.1	17.0	30.7	28.8	31.6		27.7	30.4	

Key takeaways of Recent Quarter

Q4FY26 Earnings Conference Call highlights

Market Share Gains Continue Across MHCV and LCV: It maintained a healthy ~30% MHCV market share in Q4FY26 and retained leadership in buses with ~34% market share. The company's LCV business also showed strong traction, with Q4 domestic LCV volumes growing 23% YoY and Vahan market share improving by 90 bps YoY to 12.8%. Management highlighted that this was the highest-ever annual LCV volume achieved by the company. The management expressed confidence that recently launched high-horsepower trucks and tippers would start contributing meaningfully to market share gains from Q2FY27 onward.

Domestic CV Industry Momentum Remains Strong Despite Macro Noise: Management emphasized that demand momentum in the domestic CV market remained healthy through April and May despite concerns around diesel price hikes and supply disruptions. The company indicated that medium and heavy commercial vehicle demand remained resilient, particularly in infrastructure-linked segments such as tippers, mining, and construction haulage. Management expects mining- and infrastructure-related applications to outperform in FY27, with eastern and central India remaining particularly strong demand zones.

Margins: The management acknowledged rising commodity costs, especially steel, aluminium, copper, and rubber, as a major challenge entering FY27. However, Ashok Leyland managed to protect gross margins in Q4 through calibrated price hikes, sourcing efficiencies, value engineering initiatives, and tight cost controls. A ~1% price increase taken in January was sustained through Q4, while another 1–1.5% price hike has been implemented from April 2026.

EV business: A major highlight during FY26 was the turnaround of Switch Mobility India, which achieved PAT exceeding ₹100 crore. Switch also attained leadership positions in electric buses and 2–4-ton electric LCVs. During FY26, the company delivered over 1,530 electric buses and around 1,600 electric LCVs, supported by a healthy order book of 1,600 vehicles. Ashok Leyland also announced the groundbreaking of a battery pack manufacturing facility near Chennai as part of its phased EV ecosystem strategy.

Defence and Non-Vehicle Businesses: The company's non-vehicle businesses continued to scale strongly in FY26. Defence revenues grew over 20% YoY, with the total defence business crossing ₹1,200 crore including subsidiaries. Management highlighted that the defence order pipeline remains the strongest ever, with executable orders already exceeding ₹1,500 crore and additional inflows expected during FY27. The aftermarket business also remained robust, with FY26 spares revenue reaching ~₹3,800 crore. Export revenues crossed ₹3,200 crore despite temporary logistics disruptions in Q4.

Capex: FY26 Capex stood at around ₹1,050 crore, primarily directed toward future technologies, electric mobility, alternate powertrains, and new product development. FY27 Capex guidance remains in the ₹750–1,000 crore range. The company also reiterated that future investments into subsidiaries such as Hinduja Leyland Finance, Hinduja Housing Finance, and OHM Mobility will remain need-based rather than aggressive capital commitments.

Exhibit 1: Quarterly Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Total Operating Income	14,160	11,907	18.9	11,534	22.8
Raw Material Expenses	10,105	8,403	20.3	8,325	21.4
Employee Expenses	722	651	10.8	625	15.4
Other expenses	1,268	1,061	19.5	1,048	21.0
EBITDA	2,066	1,791	15.3	1,535	34.6
EBITDA Margin (%)	14.6	15.0	-46 bps	13.3	128 bps
Other Income	68	106	-35.5	59	15.3
Depreciation	183	179	2.1	177	2.9
Interest	42	47	-10.7	44	-4.0
Tax	504	411	22.6	268	87.9
Reported PAT	1,405	1,246	12.8	796	76.5
EPS	2.4	2.1	12.8	0.7	76.5
Key Metrics					
ASPs (₹ lakh/unit)	20.4	20.1	1.3	20.0	1.9

Source: Company, ICICI Direct Research

Exhibit 2: Volume Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26P	FY27E	FY28E
M&HCV Passenger volumes	19,871	23,323	5,629	7,799	18,150	24,663	29,169	32,681	34,828	37,660
M&HCV Goods volumes	1,22,987	55,231	46,178	66,086	1,05,959	1,00,222	96,862	1,09,977	1,18,394	1,25,647
Total M&HCV Sales Volume	1,42,858	78,554	51,807	73,885	1,24,109	1,24,885	1,26,031	1,42,658	1,53,222	1,63,307
LCV volumes	54,508	46,646	48,908	54,441	68,096	69,800	69,066	77,779	85,227	92,297
Total Sales Volume	1,97,366	1,25,200	1,00,715	1,28,326	1,92,205	1,94,685	1,95,097	2,20,437	2,38,449	2,55,604
YoY Growth (%)		-37%	-20%	27%	50%	1%	0%	13%	8%	7%
ASPs (₹ lakh/unit)	14.4	12.8	15.2	16.9	18.8	19.7	19.9	20.0	20.3	20.4

Source: Company, ICICI Direct Research

Exhibit 3: SOTP-based valuations

SOTP	
Target EV/EBITDA (x)	12.0
EBITDA (₹ crore; FY28E)	6,628
Enterprise Value (₹ Crore)	79,538
Net Debt (₹ crore; FY28E)	(8,657)
Target Market cap Core business (₹crore)	88,195
Value/Share (A)	150
Strategic long term Investments (₹ crore; FY28E)	7,059
P/BV(x)	2.0
Total Value/Share post applying 20% Holdco. Discount (B)	20
Price target (₹, A+B)	170

Source: ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26P	FY27E	FY28E
Total operating Income	38,753	44,007	48,396	52,124
Growth (%)	1.0	13.6	10.0	7.7
Raw Material Expenses	27,623	31,417	35,502	37,762
Employee Expenses	2,406	2,607	2,825	3,043
Other Expenses	3,793	4,251	4,502	4,691
Total Operating Expenditure	33,822	38,275	42,828	45,496
EBITDA	4,931	5,732	5,568	6,628
Growth (%)	7.0	16.3	-2.9	19.0
Depreciation	719	715	750	800
Interest	217	170	133	97
Other Income	250	315	370	383
PBT	4,245	5,163	5,054	6,114
Exceptional chages	-104	0	40	308
Total Tax	1,045	1,248	1,314	1,590
PAT	3,303	3,566	3,740	4,524
Growth (%)	26.2	7.9	4.9	21.0
EPS (₹)	5.6	6.1	6.4	7.7

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY25	FY26P	FY27E	FY28E
Profit after Tax	3,303	3,566	3,740	4,524
Add: Depreciation	719	715	750	800
(Inc)/dec in Current Assets	1,368	(958)	(1,632)	(709)
Inc/(dec) in CL and Provisions	(35)	1,795	1,407	1,086
CF from operating activities	5,573	5,288	4,399	5,799
(Inc)/dec in Investments	(3,113)	(2,006)	(1,250)	(1,750)
(Inc)/dec in Fixed Assets	(887)	(1,423)	(1,000)	(1,000)
Others	(674)	836	(103)	(101)
CF from investing activities	(4,674)	(2,593)	(2,353)	(2,851)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(819)	(284)	(250)	(250)
Dividend paid & dividend tax	(1,835)	(2,056)	(2,056)	(2,496)
Others	1,023	(85)	(133)	(97)
CF from financing activities	(1,631)	(2,424)	(2,439)	(2,843)
Net Cash flow	(732)	271	(393)	105
Opening Cash	3,438	2,706	2,977	2,584
Closing Cash	2,706	2,977	2,584	2,689

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
	₹crore			
(Year-end March)	FY25	FY26P	FY27E	FY28E
Liabilities				
Equity Capital	294	587	587	587
Reserve and Surplus	11,225	12,526	14,210	16,238
Total Shareholders funds	11,519	13,113	14,798	16,825
Total Debt	1,435	1,152	902	652
Deferred Tax Liability	548	536	536	536
Other non-current liabilities	417	465	490	515
Total Liabilities	14,628	15,901	17,370	19,183
Assets				
Gross Block	10,711	12,080	13,309	14,309
Less: Acc Depreciation	6,029	6,745	7,495	8,295
Net Block	4,682	5,335	5,814	6,014
Capital WIP	425	479	250	250
Total Fixed Assets	5,107	5,814	6,064	6,264
Investments	5,654	6,559	6,809	7,059
Inventory	2,957	3,486	3,978	4,284
Debtors	2,887	2,950	3,978	4,284
Loans and Advances	-	-	-	-
Other current assets	763	1,129	1,241	1,337
Cash	2,706	2,977	2,584	2,689
Total Current Assets	9,314	10,542	11,781	12,594
Creditors	7,305	8,329	9,281	9,996
Provisions	825	1,350	1,505	1,621
Other current Liabilities	2,768	3,013	3,314	3,569
Total Current Liabilities	10,898	12,693	14,100	15,186
Net Current Assets	(1,584)	(2,151)	(2,319)	(2,592)
Application of Funds	14,628	15,901	17,370	19,183

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY25	FY26P	FY27E	FY28E
Per share data (₹)				
EPS	5.6	6.1	6.4	7.7
Cash EPS	6.9	7.3	7.6	9.1
BV	19.6	22.3	25.2	28.6
DPS	3.1	3.5	3.5	4.3
Cash Per Share	4.6	5.1	4.4	4.6
Operating Ratios (%)				
EBITDA Margin	12.7	13.0	11.5	12.7
PBT / Net sales	11.0	11.7	10.4	11.7
PAT Margin	8.5	6.8	8.0	6.9
Inventory days	27.9	28.9	30.0	30.0
Debtor days	27.2	24.5	30.0	30.0
Creditor days	68.8	69.1	70.0	70.0
Return Ratios (%)				
RoE	28.0	29.2	25.3	26.9
RoCE	28.8	31.6	27.7	30.4
RoIC	49.7	60.3	51.2	60.6
Valuation Ratios (x)				
P/E	27.5	25.5	24.3	20.1
EV / EBITDA	17.6	14.8	15.1	12.4
EV / Net Sales	2.2	1.9	1.7	1.6
Market Cap / Sales	2.3	2.1	1.9	1.7
Price to Book Value	7.9	6.9	6.2	5.4
Solvency Ratios				
Debt/Equity	0.1	0.1	0.1	0.0
Current Ratio	0.7	0.7	0.7	0.7
Quick Ratio	0.4	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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