

CMP: ₹ 240

Target: ₹ 270 (12%)

Target Period: 12 months

HOLD

May 27, 2025

## Robust performance, muted growth prospects to weigh

**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%

**Q4FY25 Results:** Standalone operating income for Q4FY25 came in at ₹ 11,907 crore, up 5.7% YoY amidst 5% growth in volumes to 59k units. Share of M&HCV in total volume mix for the quarter stood at 67% vs. 65% in Q3FY25. EBITDA for the quarter came in at ₹ 1,791 crore with margins at 15%, up 226 bps QoQ. Consequent PAT in Q4FY25 came in at ₹ 1,246 crore (up 38.4% YoY).

### Investment Rationale

- CV industry steady with renewed BUS & EXPORT thrust:** Domestic CV industry witnessed a cyclical recovery over FY21-25P 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. However, FY25 has been tepid year led by capex slowdown domestically national election calendar, with domestic sales volumes at 9.5 lakh units, down by 1.2% YoY. Despite industry fluctuations, ALL maintained its 30%+ market share in domestic MHCV segment, with FY25 market share at 30.9% and it remains committed to increasing it to 35% in the medium term. ALL is capitalizing on pent-up demand in buses & rising replacement needs. Also, with 52% export growth in Q4 & a 29% growth annual increase, it is successfully expanding its international footprint. Going forward, the general outlook for the industry is neutral to marginally positive which positions ALL to capture demand across segments. We built in ~6% volume CAGR over FY25-27E
- Transition to premiumization & EVs supports long term growth:** ALL is emphasizing product premiumization & segment specific enhancements, evident in initiatives like CNG buses & EV ready platforms. Its EV subsidiary, Switch India, achieved EBITDA positivity in FY25 & ended the year with 1,800 bus orderbook. With healthy volume growth in the past and discipline in market place by way of low discounting, margins have considerably improved at ALL at ~12-13%. B/S too has improved with company having a cash surplus of ₹4,000+ crore as of FY25 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 has a diversified powertrain mix & strong b/s, however muted growth prospects in the near term will keep stock price gains under check. We maintain **HOLD** rating on the stock and now value ALL at SOTP based target price of ₹270 (12x core FY27E EV/EBITDA, 2x P/B for investments.)

### Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25P	5 year CAGR (FY20-25P)	FY26E	FY27E	2 year CAGR (FY25P-27E)
Net Sales	15,301	21,688	36,144	38,367	38,753	17.3%	41,574	44,811	7.5%
EBITDA	535	995	2,931	4,607	4,931	33.3%	4,992	5,466	5.3%
EBITDA Margins (%)	3.5	4.6	8.1	12.0	12.7		12.0	12.2	
Net Profit	(314)	542	1,380	2,618	3,303	69.0%	3,113	3,438	2.0%
EPS (₹)	(1.1)	1.8	4.7	8.9	11.3		10.6	11.7	
P/E	NM	130.0	51.0	26.9	21.3		22.6	20.5	
RoNW (%)	(4.4)	0.2	15.7	30.4	28.0		24.2	23.9	
RoCE (%)	(1.9)	2.1	17.0	30.7	28.8		26.9	27.3	

Source: Company, ICICI Direct Research



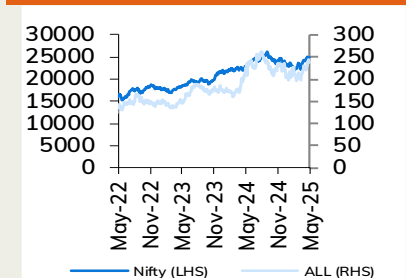
### Particulars

Particular	₹ crore
Market Capitalization	70,250
Total Debt (FY25P)	1,435
Cash & Inv. (FY25P)	5,725
EV (₹ Crore)	65,961
52 week H/L (₹)	265 / 190
Equity capital (₹ crore)	293.7
Face value (₹)	1.0

### Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	51.5	51.5	51.5	51.5
FII	22.0	24.4	24.1	23.5
DII	14.1	12.3	13.0	14.1
Other	12.3	11.8	11.4	10.9

### Price Chart



### Recent Event & Key risks

- Reports healthy Q4FY25. EBITDA margins came in at 15%.
- 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 takeaways of Recent Quarter

### Q4FY25 Earnings Conference Call highlights

**Market share:** ALL maintained a strong presence in the domestic medium and heavy commercial vehicle (MHCV) segment, closing FY25 with a market share of 30.9%. Domestic MHCV volumes for Q4 stood at 36,053 units, a 4% year-on-year growth, comprising 29,089 trucks and 6,964 buses. Annual MHCV volumes were marginally down by 1% to 114,789 units due to a 5% decline in truck sales, though bus volumes grew by 18%.

**Market presence & expansion in Exports:** To reinforce its market presence, the company expanded its domestic network significantly, adding 108 new MHCV and 106 new LCV touchpoints, particularly in northern and eastern India. This brings the total touchpoint count to 1,889 pan-India. On international front, exports surged by 52% year-on-year in Q4 and by 29% over the full year to 15,255 units, demonstrating Ashok Leyland's strategy to localize in overseas markets and strengthen export contributions by opening up new market in ASEAN region.

**Non-CV Businesses:** ALL's non-CV businesses also witnessed healthy growth. In Q4, engine volumes rose by 9%, and domestic spare parts revenue increased by 15% year-on-year. For FY25, engine volumes were up 2%, while spare parts revenue climbed 14%. Despite a high base due to pre-buying under DPCB norms in FY24, the company maintained a stable performance. Defence revenues remained flat, but the order book for FY26 is described as "healthy," reflecting optimism.

**LCV:** In light commercial vehicle (LCV) segment, Q4 volumes declined by 2% to 17,660 units. Full-year LCV volumes in the addressable 2–4-ton market stood at 65,049 units with a market share of 18.6%, slightly down from 19.3% in FY24. Ashok Leyland continues to aim for 20% short-term and 25% medium-term market share in LCV space, supported by new product introductions like the SAATHI (sub-2 ton) & several other models across payload's & alternative fuel powertrains

**Future Outlook and Growth Strategy:** The management expressed cautious optimism for FY26, citing stable freight rates, strong fleet utilization, favourable monsoon forecasts, and robust infrastructure investment as key tailwinds. They expect growth across all CV segments—MHCV, ICV, and LCV—driven by aging fleets and pent-up demand. Buses and tractor-trailers are expected to lead growth, followed by tipper trucks, buoyed by recovery in mining and construction activity.

**Others:** While the new AC cabin norms and steel safeguard duties are expected to result in moderate cost increases, management is confident about passing these costs on and maintaining margins through realization and cost-saving initiatives. Looking forward, ALL reaffirmed its commitment to achieving a 35% MHCV market share, mid-teen EBITDA margins, and substantial growth in non-MHCV and alternative-fuel segments.

### *New Product Launches and Innovations:*

The company launched six new products during the year, including the SAATHI and LEO in the LCV segment, IVAC (intelligent vehicle acceleration control) for better fuel efficiency in trucks, and battery-electric trucks in 55-ton and 19-ton capacities. Fully built CNG bus models such as the Oyster and Oyster V-max were also introduced

### *Switch Mobility & EV Business:*

ALL's EV arm, Switch Mobility, showed promising progress. In Q4, Switch India achieved sales of 287 buses and reached a double-digit EBITDA margin of 12%. For FY25, Switch India posted a positive EBITDA of 6% and ended the year with an order book of 1,800 buses. Ohm, the E-MaaS subsidiary, currently operates over 650 electric buses with 98%+ uptime and plans to expand its fleet by 1,700 buses in FY26. Meanwhile, Switch UK is undergoing restructuring, including a consultation process that may lead to cessation of manufacturing operations at the Sherburn facility. Despite this, the company will continue to serve European and GCC markets, leveraging lower-cost production locations.

### Exhibit 1: Quarterly Variance Analysis

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Total Operating Income	11,907	11,267	5.7	9,479	25.6
Raw Material Expenses	8,403	8,091	3.9	6,774	24.0
Employee Expenses	651	554	17.7	606	7.4
Other expenses	1,061	1,031	3.0	887	19.7
EBITDA	1,791	1,592	12.5	1,211	47.8
EBITDA Margin (%)	15.0	14.1	91 bps	12.8	226 bps
Other Income	106	118	-10.2	25	328.7
Depreciation	179	180	-0.5	192	-7.0
Interest	47	59	-20.4	50	-5.9
Tax	411	501	-17.9	232	77.3
Reported PAT	1,246	900	38.4	762	63.6
EPS	4.2	3.1	38.4	2.6	63.6
<b>Key Metrics</b>					
ASPs (₹ lakh/unit)	20.1	20.0	0.5	20.4	-1.5

Source: Company, ICICI Direct Research

## Exhibit 2: Volume Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E
M&HCV Passenger	19,871	23,323	5,629	7,799	18,150	24,663	29,169	31,484	33,950
M&HCV Goods volumes	1,22,987	55,231	46,178	66,086	1,05,959	1,00,222	96,862	1,01,201	1,06,850
Total M&HCV Sales Volume	1,42,858	78,554	51,807	73,885	1,24,109	1,24,885	1,26,031	1,32,685	1,40,800
LCV volumes	54,508	46,646	48,908	54,441	68,096	69,800	69,066	73,131	77,507
Total Sales Volume	1,97,366	1,25,200	1,00,715	1,28,326	1,92,205	1,94,685	1,95,097	2,05,815	2,18,308
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)	5,466
Enterprise Value (₹ Crore)	65,590
Net Debt (₹ crore; FY27E)	(5,016)
Target Market cap Core business (₹crore)	70,606
<b>Value/Share (A)</b>	<b>240</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>30</b>
<b>Price target (₹, A+B)</b>	<b>270</b>

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 4: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Total operating Income	38,367	38,753	41,574	44,811
Growth (%)	6.2	1.0	7.3	7.8
Raw Material Expenses	27,912	27,623	29,873	32,298
Employee Expenses	2,233	2,406	2,552	2,701
Other Expenses	3,615	3,793	4,157	4,347
Total Operating Expenditure	33,761	33,822	36,582	39,346
EBITDA	4,607	4,931	4,992	5,466
Growth (%)	57.2	7.0	1.2	9.5
Depreciation	718	719	748	807
Interest	249	217	157	127
Other Income	247	250	237	242
PBT	3,886	4,245	4,324	4,774
Exceptional chages	94	-104	0	0
Total Tax	1,174	1,045	1,211	1,337
PAT	2,618	3,303	3,113	3,438
Growth (%)	89.7	26.2	-5.8	10.4
EPS (₹)	8.9	11.3	10.6	11.7

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Profit after Tax	2,618	3,303	3,113	3,438
Add: Depreciation	718	719	748	807
(Inc)/dec in Current Assets	455	1,368	(1,045)	(596)
Inc/(dec) in CL and Provisions	(181)	(35)	(322)	824
CF from operating activities	3,860	5,573	2,652	4,599
(Inc)/dec in Investments	1,104	(3,113)	(750)	(750)
(Inc)/dec in Fixed Assets	(540)	(887)	(1,000)	(800)
Others	467	(674)	(132)	(138)
CF from investing activities	1,032	(4,674)	(1,882)	(1,688)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(926)	(819)	(250)	(250)
Dividend paid & dividend tax	1	(1,835)	(1,761)	(1,908)
Others	(1,030)	1,023	(157)	(127)
CF from financing activities	(1,954)	(1,631)	(2,169)	(2,285)
Net Cash flow	2,937	(732)	(1,399)	626
Opening Cash	501	3,438	2,706	1,307
Closing Cash	3,438	2,706	1,307	1,933

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet

₹crore

(Year-end March)	FY24	FY25P	FY26E	FY27E
Liabilities				
Equity Capital	294	294	294	294
Reserve and Surplus	8,517	11,225	12,577	14,107
Total Shareholders funds	8,810	11,519	12,871	14,400
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	15,765	17,080
Assets				
Gross Block	10,048	10,711	11,886	12,686
Less: Acc Depreciation	5,310	6,029	6,778	7,584
Net Block	4,737	4,682	5,108	5,102
Capital WIP	202	425	250	250
Total Fixed Assets	4,939	5,107	5,358	5,352
Investments	5,311	5,654	5,904	6,154
Inventory	3,191	2,957	3,417	3,683
Debtors	3,570	2,887	3,417	3,683
Loans and Advances	95	-	-	-
Other current assets	1,121	763	819	882
Cash	3,438	2,706	1,307	1,933
Total Current Assets	11,414	9,314	8,960	10,181
Creditors	6,305	7,305	6,834	7,366
Provisions	651	825	772	832
Other current Liabilities	3,976	2,768	2,969	3,200
Total Current Liabilities	10,932	10,898	10,575	11,399
Net Current Assets	482	(1,584)	(1,616)	(1,218)
Application of Funds	12,679	14,628	15,765	17,080

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	8.9	11.3	10.6	11.7
Cash EPS	11.4	13.7	13.2	14.5
BV	30.0	39.2	43.8	49.1
DPS	5.0	6.3	6.0	6.5
Cash Per Share	11.7	9.2	4.5	6.6
Operating Ratios (%)				
EBITDA Margin	12.0	12.7	12.0	12.2
PBT / Net sales	10.1	11.0	10.4	10.7
PAT Margin	6.8	8.5	7.0	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
Return Ratios (%)				
RoE	30.4	28.0	24.2	23.9
RoCE	30.7	28.8	26.9	27.3
RoIC	44.2	49.7	39.7	42.8
Valuation Ratios (x)				
P/E	26.9	21.3	22.6	20.5
EV / EBITDA	14.9	13.4	13.3	11.9
EV / Net Sales	1.8	1.7	1.6	1.5
Market Cap / Sales	1.8	1.8	1.7	1.6
Price to Book Value	8.0	6.1	5.5	4.9
Solvency Ratios				
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

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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