

May 23, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	170		170	
Sales (Rs. m)	278,535	326,108	267,457	322,538
% Chng.	4.1	1.1		
EBITDA (Rs. m)	22,840	32,937	22,734	33,221
% Chng.	0.5	(0.9)		
EPS (Rs.)	4.1	7.1	4.2	7.1
% Chng.	(1.9)	(1.0)		

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	153	217	279	326
EBITDA (Rs. bn)	5	10	23	33
Margin (%)	3.5	4.6	8.2	10.1
PAT (Rs. bn)	(3)	0	12	21
EPS (Rs.)	(1.0)	0.1	4.1	7.1
Gr. (%)	(188.9)	(105.7)	6,890.7	71.9
DPS (Rs.)	0.6	0.0	2.5	4.2
Yield (%)	0.4	0.0	1.9	3.2
RoE (%)	(4.3)	0.2	15.9	25.2
RoCE (%)	(2.0)	2.2	14.0	23.2
EV/Sales (x)	2.7	1.8	1.4	1.2
EV/EBITDA (x)	77.0	39.7	17.2	11.8
PE (x)	(125.7)	2,220.5	31.8	18.5
P/BV (x)	5.5	5.2	4.9	4.4

Key Data

ASOK.BO | AL IN

52-W High / Low	Rs.154 / Rs.93
Sensex / Nifty	54,326 / 16,266
Market Cap	Rs.383bn/ \$ 4,934m
Shares Outstanding	2,936m
3M Avg. Daily Value	Rs.2114.19m

Shareholding Pattern (%)

Promoter's	51.54
Foreign	13.45
Domestic Institution	21.94
Public & Others	13.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.0	(6.5)	3.6
Relative	7.0	2.6	(5.5)

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Play on CV upcycle

Quick Pointers:

- New model launches in 4QFY22 led to market share gains – Domestic MHCV market share grew to 30.4% from 26% sequentially.
- Retention of multiple price hikes on the back of healthy demand.

Ashok Leyland's (AL) 4QFY22 EBITDA margin at 8.9% (+125/480bps YoY/QoQ) beat our/consensus estimates, supported by higher average realizations (at Rs 1.8mn, +13/11% YoY/QoQ) and operating leverage. ASP growth was driven by favorable mix and multiple price hikes over FY22. Though AL's domestic MHCV market share of 31.8% witnessed a 200bps contraction in FY22; in 4QFY22 market share grew to 30.4% from 26% QoQ led by model launches in tippers, multi-axle and CNG space. Channel inventory remains low. Also, discount levels are low leading to higher ASPs.

Going ahead, we believe AL will continue to regain its lost share on the back model launches and revival in bus segment due to opening-up of the economy. Also, price retention due to demand and any softening of commodity prices will lead to margin expansion (EBITDA margin FY22/ FY23E/FY24E – 4.6/8.2/10.1%). Our estimates are largely unchanged. Maintain 'BUY' with a target price of Rs 170, 14x FY24E EV/EBITDA and ~Rs 14 for HLF.

- 4QFY22 financial performance:** AL's volumes grew 11%/43% YoY/QoQ to 48.7k units. ASPs at Rs 1.8mn also witnessed 13%/11% growth largely led by multiple price hikes and higher share of MHCVs in the mix (66% of sales vs 57% QoQ). Revenue at Rs 87bn grew by 25%/58% YoY/QoQ. AL's EBITDA margin at 8.9% (+125/+480bps YoY/QoQ) was a beat, driven by cost controls. An exceptional gain of Rs 4.7bn was reported towards impairment reversal. Adjusted PAT came in at Rs 5.4bn.
- Key takeaways: (1) Demand outlook robust:** MHCV demand to remain strong driven by tippers (supported by infrastructural and road-building activities) along with buses (volumes should increase on the back of STUs and opening up of schools/institution). Also, fleet utilisation levels and freight rates have been favourable and improving consistently. Though LCV demand is currently impacted by semi-conductors, the segment will benefit from LMDs and e-commerce. **(2) Product launches to aid in market share gains:** In FY22, AL's MHCV market share stood at 31.8% (-200bps YoY). However, particularly in 4QFY22, MHCV market share grew to 30.4% from 26% sequentially; along with launches in tippers and multi-axle space. The company has also launched 2 CNG models in 14 and 16 tons. **(3) Margin outlook:** AL's EBITDA margin at 8.9% in the quarter was a positive surprise. ~2% price hike has been taken in Apr-22. Management highlighted retention of these price hikes on the back of strong demand. Going ahead, multiple price hikes, positive demand outlook and softening of raw material cost could lead to margin expansion (we build in a double-digit margin of 10.1% in FY24).

Exhibit 1: Q4FY22 Result Overview (Rs m)

Y/e March	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
Net Revenues	87,443	70,005	24.9	55,352	58.0	2,16,883	1,53,015	41.7
Raw Materials	68,422	53,834	27.1	43,131	58.6	1,67,611	1,14,033	47.0
<i>% of Net Sales</i>	<i>78.2</i>	<i>76.9</i>		<i>77.9</i>		<i>77.3</i>	<i>74.5</i>	
Personnel	4,376	4,016	9.0	4,324	1.2	16,946	15,839	7.0
<i>% of Net Sales</i>	<i>5.0</i>	<i>5.7</i>		<i>7.8</i>		<i>7.8</i>	<i>10.4</i>	
Manufacturing & Other Exp	6,885	6,813	1.1	5,658	21.7	22,381	17,791	25.8
<i>% of Net Sales</i>	<i>7.9</i>	<i>9.7</i>		<i>10.2</i>		<i>10.3</i>	<i>11.6</i>	
Total Expenditure	79,683	64,663	23.2	53,113	50.0	2,06,938	1,47,663	40.1
EBITDA	7,760	5,342	45.3	2,239	246.6	9,945	5,351	85.8
<i>EBITDA Margin (%)</i>	<i>8.9</i>	<i>7.6</i>		<i>4.0</i>		<i>4.6</i>	<i>3.5</i>	
Depreciation	1,954	2,185	(10.6)	1,897	3.0	7,528	7,477	0.7
EBIT	5,807	3,157	83.9	342	1,595.9	2,418	(2,126)	(213.7)
Interest Expenses	765	771	(0.8)	668	14.4	3,011	3,068	(1.9)
Non-operating income	242	380	(36.3)	176	37.0	761	1,195	(36.3)
Extraordinary items	4,703	374		420		5,109	(121)	
PBT	9,986	3,139	218.1	271	3,586.4	5,276	(4,119)	(228.1)
Tax-Total	973	728	33.7	213	356.5	(142)	(982)	(85.5)
<i>Tax Rate (%) - Total</i>	<i>9.7</i>	<i>23.2</i>	<i>(58.0)</i>	<i>78.7</i>		<i>-2.7</i>	<i>23.8</i>	<i>(111.3)</i>
Reported PAT	9,014	2,412	273.7	58	15,494.6	5,418	(3,137)	(272.7)
Adj. PAT	5,487	2,132	157.4	(257)	(2,230.8)	1,587	(3,046)	(152.1)
<i>PAT Margin (%)</i>	<i>6.3</i>	<i>3.0</i>		<i>-0.5</i>		<i>0.7</i>	<i>-2.0</i>	

Source: Company, PL

Exhibit 2: Operating Metrics

Y/e Mar	4QFY22	4QFY21	YoY gr. (%)	3QFY22	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
Sales Volume (nos)	48,719	44,060	10.6	34,077	43.0	1,28,326	1,00,728	27.4
Net Realisation/Vehicle	17,94,842	15,88,854	13.0	16,24,310	10.5	16,90,093	15,19,086	11.3
Material cost / vehicle	14,04,415	12,21,832	14.9	12,65,695	11.0	13,06,132	11,32,089	15.4
Gross Profit / vehicle	3,90,427	3,67,022	6.4	3,58,614	8.9	3,83,961	3,86,997	(0.8)
Employee cost /vehicle	89,817	91,148	(1.5)	1,26,892	(29.2)	1,32,054	1,57,244	(16.0)
Other expenses / vehicle	1,41,321	1,54,639	(8.6)	1,66,021	(14.9)	1,74,407	1,76,625	(1.3)
EBITDA/vehicle	1,59,289	1,21,235	31.4	65,701	142.4	77,499	53,127	45.9
Net Profit/vehicle	1,85,014	54,737	238.0	1,696	10,807.8	42,224	(31,141)	(235.6)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	153,015	216,883	278,535	326,108
YoY gr. (%)	(12.4)	41.7	28.4	17.1
Cost of Goods Sold	114,033	167,611	211,687	243,928
Gross Profit	38,981	49,272	66,848	82,179
Margin (%)	25.5	22.7	24.0	25.2
Employee Cost	15,839	16,946	18,105	19,893
Other Expenses	17,791	22,381	25,904	29,350
EBITDA	5,351	9,945	22,840	32,937
YoY gr. (%)	(54.4)	85.8	129.7	44.2
Margin (%)	3.5	4.6	8.2	10.1
Depreciation and Amortization	7,477	7,528	7,703	8,040
EBIT	(2,126)	2,418	15,137	24,896
Margin (%)	(1.4)	1.1	5.4	7.6
Net Interest	3,068	3,011	1,279	995
Other Income	1,195	761	1,200	1,355
Profit Before Tax	(4,119)	5,276	15,058	25,256
Margin (%)	(2.7)	2.4	5.4	7.7
Total Tax	(983)	(142)	3,012	4,546
Effective tax rate (%)	23.9	(2.7)	20.0	18.0
Profit after tax	(3,137)	5,418	12,046	20,710
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(3,045)	172	12,046	20,710
YoY gr. (%)	-	-	-	-
Margin (%)	(2.0)	0.1	4.3	6.4
Extra Ord. Income / (Exp)	(92)	5,246	-	-
Reported PAT	(3,137)	5,418	12,046	20,710
YoY gr. (%)	(231.0)	(272.7)	122.3	71.9
Margin (%)	(2.0)	2.5	4.3	6.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	(1.0)	0.1	4.1	7.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	101,077	110,853	121,495	134,495
Tangibles	101,077	110,853	121,495	134,495
Intangibles	-	-	-	-
Acc: Dep / Amortization	35,072	49,343	57,045	65,086
Tangibles	35,072	49,343	57,045	65,086
Intangibles	-	-	-	-
Net fixed assets	66,005	61,510	64,449	69,409
Tangibles	66,005	61,510	64,449	69,409
Intangibles	-	-	-	-
Capital Work In Progress	3,719	1,943	1,301	1,301
Goodwill	4,499	4,499	4,499	4,499
Non-Current Investments	30,687	35,216	36,716	38,216
Net Deferred tax assets	(1,708)	(1,444)	(1,444)	(1,444)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	12,981	13,110	13,241
Inventories	21,423	20,752	20,604	24,123
Trade receivables	28,163	31,111	12,973	15,189
Cash & Bank Balance	8,230	10,470	5,616	3,261
Other Current Assets	21,363	24,858	27,343	30,078
Total Assets	184,499	203,338	186,611	199,316
Equity				
Equity Share Capital	2,936	2,936	2,936	2,936
Other Equity	66,837	70,434	75,252	83,536
Total Networkth	69,772	73,369	78,188	86,472
Non-Current Liabilities				
Long Term borrowings	25,801	28,850	23,080	17,310
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	11,662	6,689	5,351	4,013
Trade payables	51,647	68,752	51,891	60,754
Other current liabilities	23,909	24,234	26,658	29,323
Total Equity & Liabilities	184,499	203,338	186,611	199,316

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	(4,119)	5,276	15,058	25,256
Add. Depreciation	7,477	7,528	7,703	8,040
Add. Interest	3,068	3,011	1,279	995
Less Financial Other Income	1,195	761	1,200	1,355
Add. Other	(1,195)	(761)	(1,200)	(1,355)
Op. profit before WC changes	5,231	15,054	22,840	32,937
Net Changes-WC	(3,861)	12,070	1,362	3,059
Direct tax	42	(122)	(3,012)	(4,546)
Net cash from Op. activities	1,412	27,002	21,191	31,450
Capital expenditures	(7,722)	(1,257)	(10,000)	(13,000)
Interest / Dividend Income	-	-	-	-
Others	(2,296)	(3,767)	(300)	(145)
Net Cash from Inv. activities	(10,018)	(5,024)	(10,300)	(13,145)
Issue of share cap. / premium	1,884	(1,713)	-	-
Debt changes	6,410	(1,924)	(7,108)	(7,108)
Dividend paid	(1,615)	(108)	(7,228)	(12,426)
Interest paid	(3,068)	(3,011)	(1,279)	(995)
Others	-	-	-	-
Net cash from Fin. activities	3,611	(6,757)	(15,615)	(20,529)
Net change in cash	(4,995)	15,221	(4,724)	(2,224)
Free Cash Flow	(6,310)	25,745	11,191	18,450

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	29,510	44,579	55,352	87,443
YoY gr. (%)	353.4	57.2	15.0	24.9
Raw Material Expenses	21,873	34,185	43,131	68,422
Gross Profit	7,637	10,393	12,221	19,021
Margin (%)	25.9	23.3	22.1	21.8
EBITDA	(1,401)	1,347	2,239	7,760
YoY gr. (%)	(58.0)	67.5	(11.8)	45.3
Margin (%)	(4.7)	3.0	4.0	8.9
Depreciation / Depletion	1,835	1,843	1,897	1,954
EBIT	(3,236)	(496)	342	5,807
Margin (%)	(11.0)	(1.1)	0.6	6.6
Net Interest	707	871	668	765
Other Income	134	209	176	242
Profit before Tax	(3,826)	(1,155)	271	9,986
Margin (%)	(13.0)	(2.6)	0.5	11.4
Total Tax	(1,003)	(325)	213	973
Effective tax rate (%)	26.2	28.1	78.7	9.7
Profit after Tax	(2,823)	(830)	58	9,014
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(2,811)	(832)	(32)	4,769
YoY gr. (%)	(27.5)	(42.7)	(110.8)	124.5
Margin (%)	(9.5)	(1.9)	(0.1)	5.5
Extra Ord. Income / (Exp)	(17)	2	420	4,703
Reported PAT	(2,823)	(830)	58	9,014
YoY gr. (%)	(27.4)	(43.4)	(129.8)	273.7
Margin (%)	(9.6)	(1.9)	0.1	10.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	(1.0)	(0.3)	-	1.6

Source: Company Data, PL Research

Key Financial Metrics

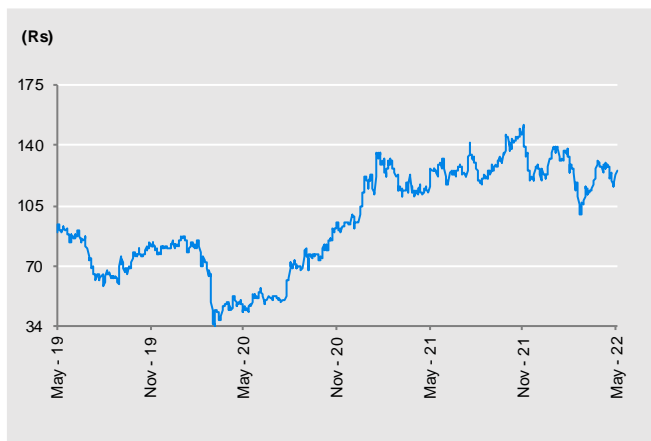
Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	(1.0)	0.1	4.1	7.1
CEPS	1.5	2.6	6.7	9.8
BVPS	23.8	25.0	26.6	29.5
FCF	(2.1)	8.8	3.8	6.3
DPS	0.6	0.0	2.5	4.2
Return Ratio(%)				
RoCE	(2.0)	2.2	14.0	23.2
ROIC	(1.7)	2.9	13.6	22.5
RoE	(4.3)	0.2	15.9	25.2
Balance Sheet				
Net Debt : Equity (x)	0.4	0.2	0.1	0.1
Net Working Capital (Days)	(46)	(58)	(49)	(48)
Valuation(x)				
PER	(125.7)	2,220.5	31.8	18.5
P/B	5.5	5.2	4.9	4.4
P/CEPS	86.3	49.7	19.4	13.3
EV/EBITDA	77.0	39.7	17.2	11.8
EV/Sales	2.7	1.8	1.4	1.2
Dividend Yield (%)	0.4	0.0	1.9	3.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Volume (units)	100,716	128,326	159,757	182,820
Net realisation (Rs/unit)	1,519,267	1,690,093	1,743,497	1,783,759

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-22	BUY	170	131
2	15-Feb-22	BUY	175	124
3	12-Jan-22	BUY	181	123
4	15-Nov-21	BUY	170	152
5	07-Oct-21	Accumulate	156	136
6	16-Aug-21	BUY	151	130
7	07-Jul-21	BUY	153	122
8	28-Jun-21	BUY	153	123

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	170	131
2	Bajaj Auto	Accumulate	4,120	3,834
3	Bharat Forge	BUY	900	663
4	CEAT	UR	-	1,108
5	Eicher Motors	BUY	2,950	2,433
6	Endurance Technologies	BUY	1,690	1,204
7	Exide Industries	BUY	218	161
8	Hero Motocorp	BUY	3,150	2,410
9	Mahindra & Mahindra	BUY	1,042	857
10	Maruti Suzuki	BUY	9,000	7,718
11	Tata Motors	BUY	600	372
12	TVS Motors	BUY	795	630

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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