

May 25, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	215		200	
Sales (Rs. m)	4,13,413	4,59,106	4,11,379	4,51,657
% Chng.	0.5	1.6		
EBITDA (Rs. m)	40,514	46,829	37,847	44,714
% Chng.	7.0	4.7		
EPS (Rs.)	7.7	9.1	7.1	8.8
% Chng.	8.0	3.8		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	2,16,883	3,61,441	4,13,413	4,59,106
EBITDA (Rs. m)	9,945	29,307	40,514	46,829
Margin (%)	4.6	8.1	9.8	10.2
PAT (Rs. m)	172	13,248	22,503	26,717
EPS (Rs.)	0.1	4.5	7.7	9.1
Gr. (%)	(105.7)	7,586.2	69.9	18.7
DPS (Rs.)	0.0	2.6	4.6	5.5
Yield (%)	0.0	1.8	3.1	3.6
RoE (%)	0.2	16.8	25.4	27.1
RoCE (%)	2.2	19.5	27.0	29.4
EV/Sales (x)	2.1	1.2	1.1	1.0
EV/EBITDA (x)	45.6	15.1	11.2	9.6
PE (x)	2,562.1	33.3	19.6	16.5
P/BV (x)	6.0	5.2	4.7	4.2

Key Data

ASOK.BO | AL IN

52-W High / Low	Rs.169 / Rs.128
Sensex / Nifty	61,774 / 18,285
Market Cap	Rs.442bn/ \$ 5,342m
Shares Outstanding	2,936m
3M Avg. Daily Value	Rs.1214.36m

Shareholding Pattern (%)

Promoter's	51.53
Foreign	14.85
Domestic Institution	22.16
Public & Others	11.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.2	2.9	6.5
Relative	7.2	3.8	(6.8)

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Aiming for double digit growth and margins

Quick Pointers:

- AL's domestic CV market share improved to ~32% ie. c5% increment YoY
- EBITDA margin improvement (+210bps QoQ) led by realisation improvements and operating leverage due to better volumes

We increase our FY24/FY25 EPS estimates by 8% / 3.8%, to factor in 4QFY24 results and management commentary on M&HCV volume and margin sustainability. Ashok Leyland's (AL) 4QFY23 EBITDA margin at 11% (+c210bps QoQ) beat PL estimates on the back of commodity prices softening, operating leverage and lower discounting. Cost optimization on administrative overhead and debottle-necking for better operational efficiency shall continue to benefit margins. AL gained market share helped by its modular program, AVTR range, launch of CNG ICVs, network expansion, etc.

Going ahead, demand outlook remains robust as CV upcycle continues and MHCV segment should continue to outperform led by strong fundamentals. AL, in our view, is well placed to sustain its market share gains of c33% of trucks and c27% of busses in FY24 led by governments focus on infrastructure, replacement demand, scrappage policy and healthy traction from core industries. LCVs will benefit from filling of white space, continued growth in end markets, and network expansion. Additionally, price hike, lower commodity costs, cost reduction efforts and operating leverage will lead to margin expansion (EBITDA margin expansion of c210bps over FY23-25E). Maintain 'BUY' at target price of Rs 215 on Mar-25E EV/EBITDA of 13x (includes ~Rs 11 for HLF).

EBITDA margin at 11% expanded by 210bps QoQ: Revenue at Rs 116.3bn (+8.7% QoQ) were in line with our estimates EBITDA margin at 11% was higher than PLe (10%) and BBG consensus (BBGe) (10.3%). Margin expansion was driven by (1) improvement in realization due to price hikes (2) commodity prices softening and operating leverage. AL reported an adjusted PAT of Rs 7.1bn vs Rs 4.8bn YoY, and above PLe (Rs. 6.8bn) and BBGe.(Rs. 6.3bn).

Key takeaways: (1) Management expects demand momentum to remain strong in FY24 and continue to show double digit volumes on the back of strong demand in MHCV segment (driven by AVTR range, buses, tractor trailers, tippers and high tonnage vehicles) and E-com/LMD and new CNG launches driving volumes for LCVs. (2) AL's domestic MHCV market share has inched upwards with Trucks market share improving from 30.6% to 32.7% YoY and Bus Market share improved to 27.1% from 26.4% YoY, this is driven by success of AVTR range and launch of CNG range ICVs. Additionally, management is continuing to scale north and east India which is driving 4-5% growth (opened 152 new outlets in India) (4) Despite geopolitical headwinds export volumes grew by 2% YoY, and management expects improvement in key markets during FY24. (5) AL sees further reduction in commodity prices, better realisation, operating leverage helping EBITDA margin to reach double digits in FY24; (6) AL highlighted that order book remains strong with 2500 confirmed booking at SWITCH Mobility and it is among the few companies operating in multiple geographies like India, Europe and UK. (7) Capex Utilization: Management as quoted a capex of Rs 6-7.5bn for FY24 most of which will be utilised for product development, research on alternative fuel and e-mobility.

Exhibit 1: Q4FY23 Result Overview (Rs m) – EBITDA margin expanded by 210bps QoQ

Y/e Mar (Rs.mn)	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Revenues	1,16,257	87,443	33.0	90,297	28.7	3,61,441	2,16,883	66.7
Raw Materials	87,887	68,422	28.4	68,859	27.6	2,78,492	1,67,611	66.2
<i>% of Net Sales</i>	<i>75.6</i>	<i>78.2</i>		<i>76.3</i>		<i>77.1</i>	<i>77.3</i>	
Personnel	5,919	4,376	35.3	5,495	7.7	21,139	16,946	24.7
<i>% of Net Sales</i>	<i>5.1</i>	<i>5.0</i>		<i>6.1</i>		<i>5.8</i>	<i>7.8</i>	
Manufacturing & Other Exp	9,693	6,885	40.8	7,970	21.6	32,504	22,381	45.2
<i>% of Net Sales</i>	<i>8.3</i>	<i>7.9</i>		<i>8.8</i>		<i>9.0</i>	<i>10.3</i>	
Total Expenditure	1,03,499	79,683	29.9	82,323	25.7	3,32,134	2,06,938	60.5
EBITDA	12,757	7,760	64.4	7,973	60.0	29,307	9,945	194.7
<i>EBITDA Margin (%)</i>	<i>11.0</i>	<i>8.9</i>		<i>8.8</i>		<i>8.1</i>	<i>4.6</i>	
Depreciation	1,838	1,954	(5.9)	1,890	(2.7)	7,320	7,528	(2.8)
EBIT	10,919	5,807	88.0	6,084	79.5	21,987	2,418	809.5
Interest Expenses	628	765	(17.9)	804	(21.9)	2,891	3,011	(4.0)
Non-operating income	389	242	61.1	316	23.2	1,161	761	52.6
Extraordinary items	564	4,703		69		846	5,109	
PBT	11,245	9,986	12.6	5,665	98.5	21,104	5,276	300.0
Tax-Total	3,731	973	283.5	2,052	81.8	7,303	(142)	(5,235.7)
<i>Tax Rate (%) - Total</i>	<i>33.2</i>	<i>9.7</i>	<i>240.6</i>	<i>36.2</i>		<i>34.6</i>	<i>-2.7</i>	<i>(1,384.0)</i>
Reported PAT	7,514	9,014	(16.6)	3,613	108.0	13,801	5,418	154.7
Adj. PAT	7,091	5,487	29.2	3,561	99.1	13,167	1,587	729.6
<i>PAT Margin (%)</i>	<i>6.1</i>	<i>6.3</i>		<i>3.9</i>		<i>3.6</i>	<i>0.7</i>	

Source: Company, PL

Exhibit 2: Operating Metrics – Realisation grew by 2.6% QoQ and helped profitability

Y/e Mar (Rs)	4QFY23	4QFY22	YoY gr. (%)	3QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Sales Volume (nos)	59,697	48,719	22.5	47,562	25.5	1,92,205	1,28,326	49.8
Net Realisation/Vehicle	19,47,446	17,94,842	8.5	18,98,505	2.6	18,80,499	16,90,093	11.3
Material cost / vehicle	14,72,213	14,04,415	4.8	14,47,763	1.7	14,48,930	13,06,132	10.9
Gross Profit / vehicle	4,75,233	3,90,427	21.7	4,50,742	5.4	4,31,570	3,83,961	12.4
Employee cost /vehicle	99,156	89,817	10.4	1,15,527	(14.2)	1,09,979	1,32,054	(16.7)
Other expenses / vehicle	1,62,375	1,41,321	14.9	1,67,573	(3.1)	1,69,113	1,74,407	(3.0)
EBITDA/vehicle	2,13,703	1,59,289	34.2	1,67,642	27.5	1,52,478	77,499	96.7
Net Profit/vehicle	1,25,871	1,85,014	(32.0)	75,972	65.7	71,804	42,224	70.1

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	2,16,883	3,61,441	4,13,413	4,59,106
YoY gr. (%)	41.7	66.7	14.4	11.1
Cost of Goods Sold	1,67,611	2,78,492	3,11,713	3,44,330
Gross Profit	49,272	82,950	1,01,700	1,14,777
Margin (%)	22.7	22.9	24.6	25.0
Employee Cost	16,946	21,139	23,978	26,628
Other Expenses	22,381	32,504	37,207	41,320
EBITDA	9,945	29,307	40,514	46,829
YoY gr. (%)	85.8	194.7	38.2	15.6
Margin (%)	4.6	8.1	9.8	10.2
Depreciation and Amortization	7,528	7,320	7,879	8,422
EBIT	2,418	21,987	32,635	38,407
Margin (%)	1.1	6.1	7.9	8.4
Net Interest	3,011	2,891	2,709	2,709
Other Income	761	1,161	900	900
Profit Before Tax	5,276	21,104	30,826	36,598
Margin (%)	2.4	5.8	7.5	8.0
Total Tax	(142)	7,303	8,323	9,881
Effective tax rate (%)	(2.7)	34.6	27.0	27.0
Profit after tax	5,418	13,801	22,503	26,717
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	172	13,248	22,503	26,717
YoY gr. (%)	-	-	-	-
Margin (%)	0.1	3.7	5.4	5.8
Extra Ord. Income / (Exp)	5,246	553	-	-
Reported PAT	5,418	13,801	22,503	26,717
YoY gr. (%)	(272.7)	154.7	63.1	18.7
Margin (%)	2.5	3.8	5.4	5.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	0.1	4.5	7.7	9.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	1,03,136	1,08,814	1,16,314	1,24,314
Tangibles	1,03,136	1,08,814	1,16,314	1,24,314
Intangibles	-	-	-	-
Acc: Dep / Amortization	41,626	48,946	56,825	65,247
Tangibles	41,626	48,946	56,825	65,247
Intangibles	-	-	-	-
Net fixed assets	61,510	59,868	59,488	59,066
Tangibles	61,510	59,868	59,488	59,066
Intangibles	-	-	-	-
Capital Work In Progress	1,943	1,325	1,325	1,325
Goodwill	4,499	4,499	4,499	4,499
Non-Current Investments	35,216	38,922	56,000	57,500
Net Deferred tax assets	(1,444)	(5,035)	(5,035)	(5,035)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	12,981	27,714	10,000	10,000
Inventories	20,752	27,745	36,244	40,250
Trade receivables	31,111	40,627	50,969	56,602
Cash & Bank Balance	10,470	5,013	10,171	14,483
Other Current Assets	24,858	21,529	24,758	28,472
Total Assets	2,03,338	2,27,242	2,53,455	2,72,197
Equity				
Equity Share Capital	2,936	2,936	2,936	2,936
Other Equity	70,434	81,322	90,323	1,01,010
Total Networkth	73,369	84,258	93,259	1,03,946
Non-Current Liabilities				
Long Term borrowings	28,850	17,973	17,973	17,973
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	6,689	14,276	14,276	14,276
Trade payables	68,752	71,751	88,346	94,337
Other current liabilities	24,234	32,624	34,566	36,631
Total Equity & Liabilities	2,03,338	2,25,916	2,53,455	2,72,197

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	5,276	21,104	30,826	36,598
Add. Depreciation	7,528	7,320	7,879	8,422
Add. Interest	3,011	2,891	2,709	2,709
Less Financial Other Income	761	1,161	900	900
Add. Other	(761)	(1,161)	(900)	(900)
Op. profit before WC changes	15,054	30,153	40,514	46,829
Net Changes-WC	12,070	(1,792)	(3,533)	(5,297)
Direct tax	(122)	(3,711)	(8,323)	(9,881)
Net cash from Op. activities	27,002	24,650	28,658	31,650
Capital expenditures	(1,257)	(3,735)	(8,825)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	(3,767)	(2,545)	(16,178)	(600)
Net Cash from Inv. activities	(5,024)	(6,279)	(25,003)	(8,600)
Issue of share cap. / premium	(1,713)	4,861	-	(8,223)
Debt changes	(1,924)	(3,291)	-	-
Dividend paid	(109)	(7,773)	(13,502)	(7,807)
Interest paid	(3,011)	(2,891)	(2,709)	(2,709)
Others	-	-	-	-
Net cash from Fin. activities	(6,757)	(9,094)	(16,211)	(18,739)
Net change in cash	15,221	9,277	(12,556)	4,311
Free Cash Flow	25,745	20,915	19,833	23,650

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	72,229	82,660	90,297	1,16,257
YoY gr. (%)	144.8	85.4	63.1	33.0
Raw Material Expenses	57,281	64,466	68,859	87,887
Gross Profit	14,948	18,194	21,438	28,370
Margin (%)	20.7	22.0	23.7	24.4
EBITDA	3,203	5,373	7,973	12,757
YoY gr. (%)	(328.6)	298.9	256.1	64.4
Margin (%)	4.4	6.5	8.8	11.0
Depreciation / Depletion	1,824	1,768	1,890	1,838
EBIT	1,379	3,605	6,084	10,919
Margin (%)	1.9	4.4	6.7	9.4
Net Interest	689	771	804	628
Other Income	256	200	316	389
Profit before Tax	1,077	3,117	5,665	11,245
Margin (%)	1.5	3.8	6.3	9.7
Total Tax	396	1,124	2,052	3,731
Effective tax rate (%)	36.8	36.1	36.2	33.2
Profit after Tax	681	1,993	3,613	7,514
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	598	1,940	3,569	7,137
YoY gr. (%)	(121.3)	(333.3)	(11,289.3)	49.6
Margin (%)	0.8	2.3	4.0	6.1
Extra Ord. Income / (Exp)	130	82	69	564
Reported PAT	681	1,993	3,613	7,514
YoY gr. (%)	(124.1)	(340.1)	6,151.6	(16.6)
Margin (%)	0.9	2.4	4.0	6.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	0.2	0.7	1.2	2.4

Source: Company Data, PL Research

Key Financial Metrics

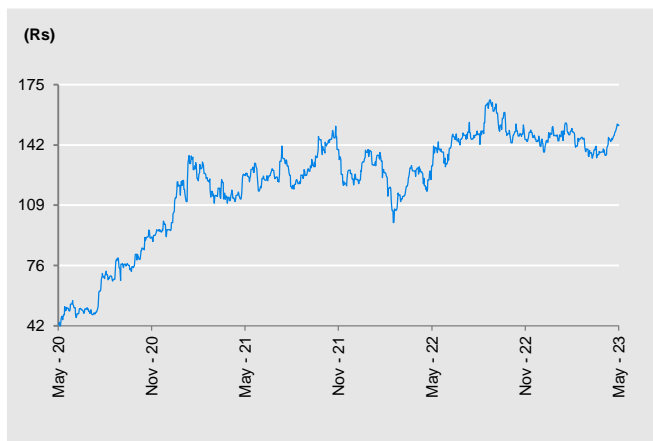
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	0.1	4.5	7.7	9.1
CEPS	2.6	7.0	10.3	12.0
BVPS	25.0	28.7	31.8	35.4
FCF	8.8	7.1	6.8	8.1
DPS	0.0	2.6	4.6	5.5
Return Ratio(%)				
RoCE	2.2	19.5	27.0	29.4
ROIC	2.9	18.0	23.6	26.4
RoE	0.2	16.8	25.4	27.1
Balance Sheet				
Net Debt : Equity (x)	0.2	0.0	0.1	0.1
Net Working Capital (Days)	(58)	(26)	(22)	(17)
Valuation(x)				
PER	2,562.1	33.3	19.6	16.5
P/B	6.0	5.2	4.7	4.2
P/CEPS	57.3	21.5	14.5	12.6
EV/EBITDA	45.6	15.1	11.2	9.6
EV/Sales	2.1	1.2	1.1	1.0
Dividend Yield (%)	0.0	1.8	3.1	3.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
MHCV volumes (in units)	73,885	1,24,109	1,42,741	1,57,487
LCV volumes (in units)	54,441	68,096	72,210	76,573
Total volumes (in units)	1,28,326	1,92,205	2,14,951	2,34,059
Average realisation (Rs/unit)	16,90,093	18,80,499	19,23,286	19,61,495

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-23	BUY	200	138
2	02-Feb-23	BUY	200	152
3	05-Jan-23	BUY	200	146
4	14-Nov-22	BUY	200	148
5	06-Oct-22	BUY	200	156
6	02-Aug-22	BUY	177	154
7	08-Jul-22	BUY	170	148

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ashok Leyland	BUY	200	138
2	Bajaj Auto	Hold	4,130	4,342
3	Bharat Forge	BUY	940	760
4	CEAT	Accumulate	1,800	1,717
5	Eicher Motors	BUY	4,030	3,404
6	Endurance Technologies	BUY	1,670	1,385
7	Exide Industries	UR	-	185
8	Hero Motocorp	BUY	3,200	2,547
9	Mahindra & Mahindra	BUY	1,560	1,202
10	Maruti Suzuki	BUY	10,300	8,507
11	Tata Motors	BUY	605	516
12	TVS Motor Company	BUY	1,300	1,169

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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