

July 28, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	261		249	
Sales (Rs. m)	4,20,475	4,51,897	4,10,898	4,38,159
% Chng.	2.3	3.1		
EBITDA (Rs. m)	55,082	62,091	53,622	59,371
% Chng.	2.7	4.6		
EPS (Rs.)	12.3	14.1	11.9	13.3
% Chng.	3.8	6.0		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	3,61,441	3,83,670	4,20,475	4,51,897
EBITDA (Rs. m)	29,307	46,066	55,082	62,091
Margin (%)	8.1	12.0	13.1	13.7
PAT (Rs. m)	13,248	26,826	36,148	41,466
EPS (Rs.)	4.5	9.1	12.3	14.1
Gr. (%)	265.9	102.5	34.8	14.7
DPS (Rs.)	2.4	5.1	6.8	7.8
Yield (%)	1.0	2.1	2.7	3.2
RoE (%)	16.8	31.1	37.6	36.5
RoCE (%)	19.5	34.2	40.5	40.8
EV/Sales (x)	2.0	1.8	1.7	1.5
EV/EBITDA (x)	24.7	15.4	12.6	11.0
PE (x)	54.6	27.0	20.0	17.4
P/BV (x)	8.6	8.2	6.9	5.9

Key Data

ASOK.BO | AL IN

52-W High / Low	Rs.249 / Rs.158
Sensex / Nifty	81,333 / 24,835
Market Cap	Rs.723bn/ \$ 8,641m
Shares Outstanding	2,936m
3M Avg. Daily Value	Rs.4178.31m

Shareholding Pattern (%)

Promoter's	51.52
Foreign	22.03
Domestic Institution	14.19
Public & Others	12.26
Promoter Pledge (Rs bn)	22.10

Stock Performance (%)

	1M	6M	12M
Absolute	2.6	45.1	36.0
Relative	(0.8)	26.2	11.6

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Miss on estimates, but remain optimistic on growth trajectory

Quick Pointers:

- Maintains its EBITDA margin guidance of mid-teens in the near term
- Plans to launch 4 new products in the LCV segment in FY25

Ashok Leyland's Q1FY25 standalone revenue increased by 5% YoY, coming in lower than PLe/BBGe by 3.1%/2.1%. Despite 6.6% YoY volume growth in its MHCV segment, its revenue growth was muted due to decline in volume and revenue of its power solution business. ASP declined by 1.1% YoY, indicating an inferior mix of vehicles in the LCV category. Gross margin was in line with PLe/BBGe at 27.8%. EBITDA grew by 10.6% YoY with a margin of 10.6%; however, EBITDA margin missed PLe/BBGe of 13%/11% due to a rise in other expenses. Consequently, PAT declined by 8.8% YoY.

The management indicated that the average age of existing CVs in the market is 11-12 years, while the historical average has been 7-8 years. Bulk of the CVs operating in the market are from BSIII and lower phase, which will require upgrades in the coming years. Factoring this, coupled with consistent thrust on developing infrastructure, the management remains optimistic on the growth prospects in the near as well as long term. We change our volume/revenue/EBITDA assumptions by 2-5% for the forecast period. We estimate its revenue/EBITDA/PAT to grow at a CAGR of 10%/12%/9% over FY24-26E. We retain our "Accumulate" rating with a TP of Rs261 (previous Rs249), valuing its core business at 11x on FY26E EV/EBITDA and HLF at Rs15.

- **Miss on revenue estimates due to decline in power solution:** Revenue growth at 5% YoY to Rs85.9bn (PLe: Rs88.7bn; BBGe: Rs87.8bn) remained muted as the power solution business reported a de-growth of 19% in terms of volume and revenue. The de-growth was due to pre-buying in the same period last year. Its ASP declined by 1.1% YoY to Rs1.9mn (PLe/BBGe: Rs2mn), slightly impacted by the inferior mix of LCVs. PAT declined by 8.8% YoY to 5.3bn due to deferred tax assets reversal account in the same period last year.
- **EBITDA margin lower than estimates due to rise in expenses:** Gross profit increased by 11.2% YoY to Rs23.9bn (PLe: Rs24.6bn; BBGe: Rs24.4bn), while margin expanded by ~50bps YoY to 27.8% (in-line with PLe/BBGe). EBITDA grew by 11% YoY to Rs9.1bn (PLe: Rs11.5bn; BBGe: Rs9.7bn) with margin expansion of ~60bps YoY to 10.6%. EBITDA margin came in lower than estimates (PLe: 13%; BBGe: 11%), due to ~120bps YoY rise in other expenses as a proportion of sales. The rise in other expenses was due to setting up of 3 centre of excellence for battery packs, electric drive unit and software defined vehicle for its truck business.
- **Strong growth outlook for FY25:** Going ahead, the management aims to deliver mid-teen EBITDA margin in the near as well as long term. The growth in margin will be delivered through a robust product portfolio in MHCV & LCV category. It also aims to increase its market share in the respective categories. It aims to launch 4 new products in the upcoming quarters. Additionally, it remains optimistic on the growth prospects of LCV & MHCV category in the upcoming quarter as the domestic as well as international market outlook remains favorable.

Exhibit 1: Q1FY25 Result Overview (Rs mn)

Y/e March	Q1FY25	Q1FY24	YoY gr. (%)	Q1FY25E	Var (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Revenues	85,985	81,893	5.0	88,713	(3.1)	1,12,667	(23.7)	3,83,670	3,61,441	6.2
Raw Materials	62,046	60,372	2.8	64,095	(3.2)	80,906	(23.3)	2,79,120	2,78,492	0.2
<i>% of Net Sales</i>	<i>72.2</i>	<i>73.7</i>	<i>(156 bps)</i>	<i>72.3</i>	<i>(9 bps)</i>	<i>71.8</i>	<i>35 bps</i>	<i>72.7</i>	<i>77.1</i>	<i>(430 bps)</i>
Personnel	5,498	5,376	2.3	5,145	6.8	5,535	(0.7)	22,334	21,139	5.7
<i>% of Net Sales</i>	<i>6.4</i>	<i>6.6</i>	<i>(17 bps)</i>	<i>5.8</i>	<i>59 bps</i>	<i>4.9</i>	<i>148 bps</i>	<i>5.8</i>	<i>5.8</i>	<i>(3 bps)</i>
Manufacturing & Other Exp	9,333	7,938	17.6	7,938	17.6	10,305	(9.4)	36,151	32,504	11.2
<i>% of Net Sales</i>	<i>10.9</i>	<i>9.7</i>	<i>116 bps</i>	<i>8.9</i>	<i>191 bps</i>	<i>9.1</i>	<i>171 bps</i>	<i>9.4</i>	<i>9.0</i>	<i>43 bps</i>
Total Expenditure	76,877	73,685	4.3	77,179	(0.4)	96,746	(20.5)	3,37,605	3,32,134	1.6
EBITDA	9,109	8,207	11.0	11,534	(21.0)	15,921	(42.8)	46,066	29,307	57.2
<i>EBITDA Margin (%)</i>	<i>10.6</i>	<i>10.0</i>	<i>57 bps</i>	<i>13.0</i>	<i>(241 bps)</i>	<i>14.1</i>	<i>(354 bps)</i>	<i>12.0</i>	<i>8.1</i>	<i>390 bps</i>
Depreciation	1,727	1,794	(3.7)	1,871	(7.7)	1,797	(3.9)	7,178	7,320	(1.9)
EBIT	7,382	6,414	15.1	9,663	(23.6)	14,124	(47.7)	38,888	21,987	76.9
Interest Expenses	591	699	(15.5)	629	(6.1)	592	(0.3)	2,494	2,891	(13.7)
Non-operating income	223	512	(56.4)	537	(58.4)	1,179	(81.1)	2,466	1,161	112.3
Extraordinary items	-	1,744	(100.0)	-	-	(697)	-	(937)	846	-
PBT	7,014	7,971	(12.0)	9,572	(26.7)	14,014	(49.9)	37,922	21,104	79.7
Tax-Total	1,759	2,207	(20.3)	2,680	(34.4)	5,010	(64.9)	11,743	7,303	60.8
<i>Tax Rate (%) - Total</i>	<i>25.1</i>	<i>27.7</i>	<i>(260 bps)</i>	<i>28.0</i>	<i>(290 bps)</i>	<i>35.8</i>	<i>-</i>	<i>31.0</i>	<i>34.6</i>	<i>(360 bps)</i>
Reported PAT	5,256	5,764	(8.8)	6,892	(23.7)	9,004	(41.6)	26,179	13,801	89.7
Adj. PAT	5,256	4,456	17.9	6,892	(23.7)	9,527	(44.8)	26,826	13,167	103.7
PAT Margin	6.1	5.4	67 bps	7.8	(166 bps)	8.5	(234 bps)	7.0	3.6	335 bps

Source: Company, PL

Exhibit 2: Operating Metrics – Realizations decline after a multi-quarter YoY growth

Y/e March	Q1FY25	Q1FY24	YoY gr. (%)	Q1FY25E	Var (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Sales Volume (nos)	43,893	41,329	6.2	43,893	-	56,269	(22.0)	1,94,685	1,92,205	1.3
Net Realisation/Vehicle	19,58,975	19,81,488	(1.1)	20,21,117	(3.1)	20,02,291	(2.2)	19,70,723	18,80,499	4.8
Material cost / vehicle	14,13,583	14,60,754	(3.2)	14,60,257	(3.2)	14,37,838	(1.7)	14,33,701	14,48,930	(1.1)
Gross Profit / vehicle	5,45,392	5,20,734	4.7	5,60,860	(2.8)	5,64,453	(3.4)	5,37,022	4,31,570	24.4
Employee cost /vehicle	1,25,248	1,30,068	(3.7)	1,17,225	6.8	98,372	27.3	1,14,718	1,09,979	4.3
Other expenses / vehicle	2,12,624	1,92,076	10.7	1,80,856	17.6	1,83,135	16.1	1,85,688	1,69,113	9.8
EBITDA/vehicle	2,07,521	1,98,589	4.5	2,62,780	(21.0)	2,82,946	(26.7)	2,36,617	1,52,478	55.2
Net Profit/vehicle	1,19,741	1,39,471	(14.1)	1,57,010	(23.7)	1,60,019	(25.2)	1,34,467	71,804	87.3

Source: Company, PL

Conference Call Highlights:

- The company plans to launch 4 new products in the SCV & LCV segments in FY25 to fill the portfolio gap and gain market share in the segments.
- It aims to increase its market share in the ICV bus segment with the launch of new products in the next few years.
- Some of its key exports markets were subdued in the last few years; however, the company foresees marginal recovery in terms of volume, which shall sustain and aid growth of the overall export volume.
- It will continue to focus on driving its cost lower and maintaining its position on discounts going forward, which will continue to drive the margin and ASP profile for the company.
- The switch towards electric buses has been better than company's expectation. Given the optimistic environment, the management believes it will continue to witness healthy demand towards the segment.
- So far it has received orders for electric buses; 300+ for Bengaluru and 100+ for UP. It has an additional order book of 400+ for Delhi.
- The management remains optimistic on growth prospects for FY25 and going forward, as 50% of CVs in the market are BSIII and older variants. This provides a large opportunity for the industry when the replacement demand starts to flow in.
- Hinduja Leyland Finance AUM stands at ~Rs515bn. Its Q1FY25 revenue was ~Rs13.8bn with a profit of ~Rs1.4bn.
- Spares revenue increased by ~12% YoY, while Defense revenue grew ~3x over last year. Going ahead, it aims to double revenue from defense business in the next 2-3 years.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	3,61,441	3,83,670	4,20,475	4,51,897
YoY gr. (%)	64.1	6.2	9.6	7.5
Cost of Goods Sold	2,78,492	2,79,120	3,05,685	3,27,445
Gross Profit	82,950	1,04,550	1,14,790	1,24,452
Margin (%)	22.9	27.3	27.3	27.5
Employee Cost	21,139	22,334	23,547	24,854
Other Expenses	32,504	36,151	36,161	37,507
EBITDA	29,307	46,066	55,082	62,091
YoY gr. (%)	119.7	57.2	19.6	12.7
Margin (%)	8.1	12.0	13.1	13.7
Depreciation and Amortization	7,320	7,178	7,216	7,674
EBIT	21,987	38,888	47,866	54,417
Margin (%)	6.1	10.1	11.4	12.0
Net Interest	2,891	2,494	1,715	1,534
Other Income	1,161	2,466	2,046	2,406
Profit Before Tax	21,104	37,922	48,198	55,289
Margin (%)	5.8	9.9	11.5	12.2
Total Tax	7,303	11,743	12,049	13,822
Effective tax rate (%)	34.6	31.0	25.0	25.0
Profit after tax	13,801	26,179	36,148	41,466
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	13,248	26,826	36,148	41,466
YoY gr. (%)	-	-	-	-
Margin (%)	3.7	7.0	8.6	9.2
Extra Ord. Income / (Exp)	553	(647)	-	-
Reported PAT	13,801	26,179	36,148	41,466
YoY gr. (%)	56.6	89.7	38.1	14.7
Margin (%)	3.8	6.8	8.6	9.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Equity Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	4.5	9.1	12.3	14.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,07,012	1,09,936	1,19,136	1,27,136
Tangibles	1,07,012	1,09,936	1,19,136	1,27,136
Intangibles	-	-	-	-
Acc: Dep / Amortization	48,470	54,917	62,133	69,806
Tangibles	48,470	54,917	62,133	69,806
Intangibles	-	-	-	-
Net fixed assets	58,543	55,019	57,003	57,330
Tangibles	58,543	55,019	57,003	57,330
Intangibles	-	-	-	-
Capital Work In Progress	1,325	2,015	2,015	2,015
Goodwill	4,499	4,499	4,499	4,499
Non-Current Investments	38,922	53,107	55,607	58,107
Net Deferred tax assets	(5,035)	(5,563)	(5,563)	(5,563)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	27,714	2,491	15,000	22,000
Inventories	27,745	31,907	35,712	39,618
Trade receivables	40,627	35,699	35,712	38,380
Cash & Bank Balance	5,013	35,343	33,089	36,225
Other Current Assets	21,529	16,038	18,444	21,210
Total Assets	2,25,916	2,36,118	2,57,080	2,79,384
Equity				
Equity Share Capital	2,936	2,936	2,936	2,936
Other Equity	81,322	85,167	1,01,434	1,20,094
Total Network	84,258	88,104	1,04,371	1,23,030
Non-Current Liabilities				
Long Term borrowings	17,973	11,610	10,110	8,610
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	14,276	11,384	10,584	9,784
Trade payables	71,751	63,052	66,815	69,332
Other current liabilities	32,624	56,405	59,637	63,065
Total Equity & Liabilities	2,25,916	2,36,118	2,57,080	2,79,384

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	21,104	37,922	48,198	55,289
Add. Depreciation	7,320	7,178	7,216	7,674
Add. Interest	2,891	2,494	1,715	1,534
Less Financial Other Income	1,161	2,466	2,046	2,406
Add. Other	(1,161)	(2,466)	(2,046)	(2,406)
Op. profit before WC changes	30,153	45,129	55,082	62,091
Net Changes-WC	(1,792)	21,339	773	(3,398)
Direct tax	(3,711)	(11,215)	(12,049)	(13,822)
Net cash from Op. activities	24,649	55,252	43,806	44,871
Capital expenditures	(3,735)	(4,345)	(9,200)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	(2,545)	(11,720)	(454)	(94)
Net Cash from Inv. activities	(6,279)	(16,064)	(9,654)	(8,094)
Issue of share cap. / premium	4,254	(7,419)	-	-
Debt changes	(3,291)	(9,254)	(2,300)	(2,300)
Dividend paid	(7,166)	(14,914)	(19,882)	(22,807)
Interest paid	(2,891)	(2,494)	(1,715)	(1,534)
Others	-	-	-	-
Net cash from Fin. activities	(9,093)	(34,082)	(23,896)	(26,641)
Net change in cash	9,277	5,106	10,256	10,136
Free Cash Flow	20,915	50,907	34,606	36,871

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	96,380	92,730	1,12,667	85,985
YoY gr. (%)	16.6	2.7	(3.1)	5.0
Raw Material Expenses	70,866	66,977	80,906	62,046
Gross Profit	25,515	25,753	31,761	23,939
Margin (%)	26.5	27.8	28.2	27.8
EBITDA	10,798	11,139	15,921	9,109
YoY gr. (%)	101.0	39.7	24.8	11.0
Margin (%)	11.2	12.0	14.1	10.6
Depreciation / Depletion	1,803	1,785	1,797	1,727
EBIT	8,995	9,355	14,124	7,382
Margin (%)	9.3	10.1	12.5	8.6
Net Interest	587	616	592	591
Other Income	475	300	1,179	223
Profit before Tax	8,654	9,033	14,014	7,014
Margin (%)	9.0	9.7	12.4	8.2
Total Tax	3,044	3,232	5,010	1,759
Effective tax rate (%)	35.2	35.8	35.8	25.1
Profit after Tax	5,610	5,800	9,004	5,256
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,758	5,804	9,452	5,256
YoY gr. (%)	196.8	62.6	32.4	16.7
Margin (%)	6.0	6.3	8.4	6.1
Extra Ord. Income / (Exp)	(229)	(6)	(697)	-
Reported PAT	5,610	5,800	9,004	5,256
YoY gr. (%)	181.5	60.5	19.8	(8.8)
Margin (%)	5.8	6.3	8.0	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	2.0	2.0	3.2	1.8

Source: Company Data, PL Research

Key Financial Metrics

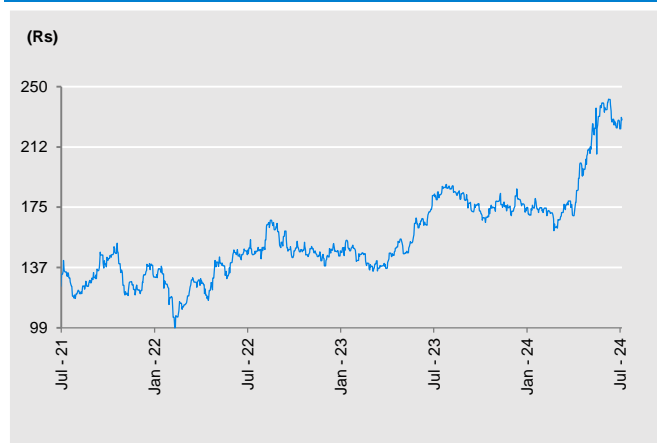
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	4.5	9.1	12.3	14.1
CEPS	7.0	11.6	14.8	16.7
BVPS	28.7	30.0	35.5	41.9
FCF	7.1	17.3	11.8	12.6
DPS	2.4	5.1	6.8	7.8
Return Ratio(%)				
RoCE	19.5	34.2	40.5	40.8
ROIC	18.0	35.3	51.3	54.4
RoE	16.8	31.1	37.6	36.5
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	(26)	(36)	(35)	(31)
Valuation(x)				
PER	54.6	27.0	20.0	17.4
P/B	8.6	8.2	6.9	5.9
P/CEPS	35.2	21.3	16.7	14.7
EV/EBITDA	24.7	15.4	12.6	11.0
EV/Sales	2.0	1.8	1.7	1.5
Dividend Yield (%)	1.0	2.1	2.7	3.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
MHCV volumes (in units)	1,24,109	1,24,885	1,33,557	1,40,711
LCV volumes (in units)	68,096	69,800	73,290	75,855
Total volumes (in units)	1,92,205	1,94,685	2,06,847	2,16,566
Average realisation (Rs/unit)	18,49,435	19,38,170	19,99,204	20,52,178

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Accumulate	249	230
2	26-May-24	BUY	239	211
3	08-Apr-24	BUY	210	176
4	07-Feb-24	BUY	210	180
5	08-Jan-24	BUY	210	179
6	11-Nov-23	BUY	210	174
7	09-Oct-23	BUY	220	172

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	634	718
2	Ashok Leyland	Accumulate	249	230
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Hold	1,615	1,672
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,618	1,430
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,489	1,482
9	Deepak Nitrite	Reduce	2,268	2,677
10	Divgi Torqtransfer Systems	Accumulate	831	742
11	Eicher Motors	BUY	5,335	4,737
12	Endurance Technologies	Hold	2,664	2,735
13	Exide Industries	Hold	559	568
14	Fine Organic Industries	Accumulate	5,685	5,337
15	GAIL (India)	Sell	170	223
16	Gujarat Fluorochemicals	Reduce	2,775	3,250
17	Gujarat Gas	Accumulate	623	645
18	Gujarat State Petronet	BUY	409	311
19	Hero Motocorp	Accumulate	5,914	5,558
20	Hindustan Petroleum Corporation	Sell	280	332
21	Indian Oil Corporation	Reduce	151	171
22	Indraprastha Gas	Sell	374	522
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	264
25	Mahanagar Gas	Sell	1,303	1,685
26	Mahindra & Mahindra	BUY	3,250	2,881
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	14,432	12,104
29	Navin Fluorine International	Accumulate	3,883	3,659

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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