DEVEN CHOKSEY RESEARCH

Q2FY26
Ashok Leyland Ltd.

Result Update

19-11-2025

Ashok Leyland Ltd.

Robust operational quarter led by improving demand, better mix, and disciplined cost control

CMP	Target	Potential Upside	Market Cap (INR Bn)	Recommendation	Sector
147	**156**	**6.1%**	**863**	**ACCUMULATE**	**Auto**

Result highlights

Revenue: Ashok Leyland's standalone revenue grew 9.3% YoY (+9.9% QoQ) to INR 95,882 Mn, which is in line with our estimates (+0.3%). Total dispatches rose 7.7% YoY to 49,116 units, driven by domestic M&HCV recovery, steady bus momentum, and a sharp 64% YoY rebound in exports. Domestic MHCV truck volumes increased 3.6% YoY, while the Total MHCV Bus segment posted a strong 26.8% YoY growth. LCV volumes were up 5.5% YoY, supported by firm 2–4T industry demand and new launches such as Sati. Realizations softened sequentially as volume growth outpaced revenue growth, though mix remained supported by non-truck segments and continued focus on Net Sales Realization improvement.

Margin and Profitability: EBITDA stood at INR 11,622 Mn, up 14.2% YoY (+19.9% QoQ), stood marginally below our estimates (-1.9%), led by higher-than-expected operating expenses partly offsetting mix-led gains. EBITDA margins expanded by 101bps QoQ (+52bps YoY) to 12.1%, driven by improvement in product mix, internal cost optimization initiatives and stronger export momentum. EBITDA margin is expected to remain resilient going forward, supported by premiumization in the truck portfolio, easing commodity pressures in Q3 and continued growth in non-truck businesses. Adjusted net profit increased by 24.3% YoY (+36.6% QoQ) to INR 8,111 Mn, stood above our estimates (+7.6%), aided by higher other income and disciplined operating cost control.

Segmental trends/ Exports momentum: Ashok Leyland's domestic MHCV volumes grew 3.7% YoY to 26,635 units, supported by firm multi-axle truck demand and steady bus traction. MHCV trucks rose 3.6% YoY to 21,806 units, aided by improving freight conditions and wider AC-cabin adoption, while MHCV buses increased 4.3% YoY to 4,829 units on healthy institutional orders and continued school/staff transport recovery.

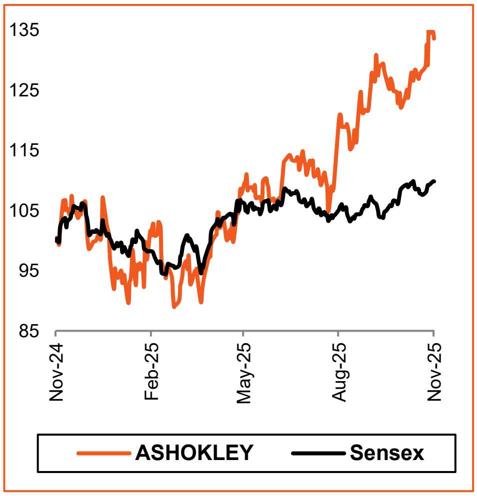
LCV volumes increased 6.4% YoY to 17,697 units, driven by sustained demand in the <7.5T segment and growing contribution from the Sati platform. Sequential gains were supported by improving retail sentiment post GST rate rationalization.

Export volumes surged to 4,784 units, led by strong GCC demand and improving traction in Africa. Localized products and RAK ramp-up further supported export momentum, reinforcing exports as a key driver of mix and margin improvement.

Outlook and Valuation: Ashok Leyland enters H2FY26 on a strong footing, supported by improving freight activity, GST-led demand uplift, and a healthy order environment across trucks, buses and LCVs. Launches in the higher-horsepower truck range and new bus platforms are expected to strengthen mix and support margins, while export momentum should remain robust with sustained traction in GCC and Africa. Management commentary indicates optimism for better industry volumes in H2 and continued focus on premiumization, cost efficiencies and cash generation, providing confidence in steady operational performance ahead.

We have roll-forwarded our valuation basis to Sept'27 estimates. We value Ashok Leyland at 21.0x Sept'27 EPS, implying a target price of INR 156. Given the recent rup-up in the stock, we revise our rating from "BUY" to "**ACCUMULATE**".

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	5,870
Mkt Cap (INR Bn)	863
52 Week H/L (INR)	147/95

*Based on the previous closing
Note: All the market data is as of the previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-25	Jun-25	Mar-25
Promoters	51.5	51.5	51.5
FIIs	24.3	24.0	23.9
DIIs	13.6	13.6	13.9
Others	10.6	10.9	10.8
Total	100.0	100.0	100.0

7.8%
Revenue CAGR between FY25-FY27E

12.2%
Adj.PAT CAGR between FY25-FY27E

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	3,83,670	3,87,528	4,09,767	4,50,457	5,00,439
EBITDA	46,066	49,306	53,774	60,157	64,411
EBITDA Margin	12.0%	12.7%	13.1%	13.4%	12.9%
Adj. PAT	27,116	31,996	35,983	40,266	43,163
Adj. EPS	4.6	5.4	6.1	6.9	7.4

Source: Company, DevenChoksey Research

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Ashok Leyland Ltd.

Key Con-call Highlights

Domestic market

- Domestic MHCV truck volumes for Q2 stood at 21,647 units, and MHCV bus volumes reached 4,660 units, reflecting continued momentum. In H1, Ashok Leyland's domestic MHCV market share stood at 31%, registering a gain of 50bps YoY (excluding refunds and EVs).
- Domestic LCV volumes for Q2 were 17,697 units, up 6.4% YoY, with VAHAN market share improving to 13.2%, higher by 90bps YoY.
- The dealer network continued to expand with the addition of new MSCV and LCV touchpoints, taking total touchpoints close to the 2,000 mark.

Exports

- Export volumes for Q2 stood at 4,784 units, marking a strong 45% YI (Year-on-Year) growth.
- H1 export volumes were higher by 38% YI, driven by robust traction across home markets outside India, including GCC, Africa, and "SAARC" regions.
- Management highlighted that growth was satisfying across all home markets outside India (GCC, Africa, and SAARC) reinforcing Ashok's approach of developing strong local presence and building products suiting the local requirements.

Defence and non-CV

- Defence and Non-CV businesses continued to perform well -: Aftermarket revenues grew 11% YoY
- Power Solutions revenue increased 14% YoY
- Defence revenue rose 25% YoY, supported by a strong order book and a healthy pipeline of tenders.

E-mobility

- Switch India had a strong H1 with approximately 600 buses and 600 e-LCVs sold, achieving positive PAT for H1. The order book for buses at the end of H1 stood at 1,650 units, and the company is progressing toward becoming free cash flow positive by FY27.
- The OHM e-bus subsidiary is now operating 1,100+ electric buses, maintaining 98%+ fleet availability, and added 250 buses during the quarter. It targets expanding operations to 2,500+ buses over the next 12 months, with all projects generating double-digit IRRs. Work continues on the 10,000+ PME e-drive tender to further accelerate fleet expansion.

Margins and operations

- Revenue for Q2 stood at INR 95.88 bn (+9.3% YoY).EBITDA reached a record high of INR 11.62 bn, up 14.2% YoY, with EBITDA margin at 12.1%, an expansion of 50bps YoY, supported by: Improved product mix (higher share of value-added trucks and buses)Better price realization
- Strict cost control and cost-reduction initiatives. Raw material cost stood at 71.2%, in line with last year, despite AC-mandate-driven cost pressures.
- Working capital remained lean with INR 5 bn YoY reduction, and the company maintained a net cash position of INR 10 bn , an INR 15 bn improvement YoY.

Capital allocation

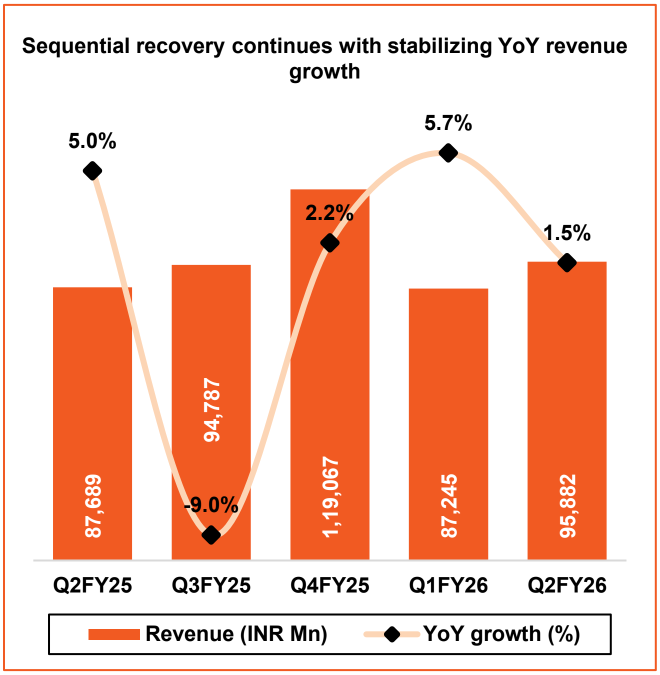
- Capex for Q2 was INR 4.17 bn, taking H1 capex to INR 6.58 bn, with full-year guidance of INR 8-10 bn. Investments in subsidiaries were nil in H1.Capex priorities include-: Center of Excellence, Higher horsepower engine development (320HP / 360HP)New building adjacent to corporate office.
- The company continues to increase bus body capacity through the AP and Lucknow plants, targeting 20,000+ buses per year, from ~12,000 currently.

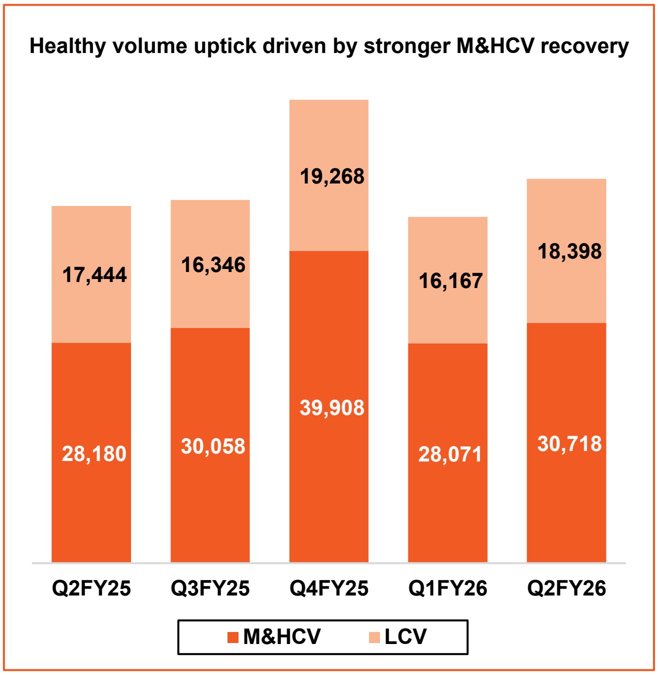
Guidance

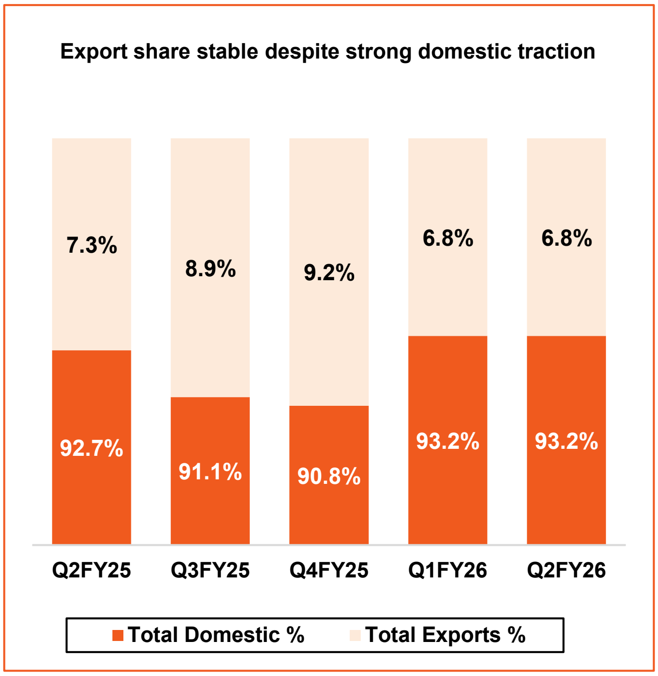
- Management remains optimistic about H2FY26, expecting a stronger performance led by: - Higher industry demand post GST-2.0, Infrastructure activity pick-up, Festive and consumption-led freight uplift
- New product launches including higher-horsepower trucks (320 HP, 360 HP) and new premium buses (13.5m & 15m platforms)Margins are expected to further improve driven by premiumization, product mix, disciplined pricing, and sustained cost efficiencies. Exports are targeted to reach 18,000 units in FY26, with a mid-term target of 25,000 units, implying 20% CAGR over the next three years.

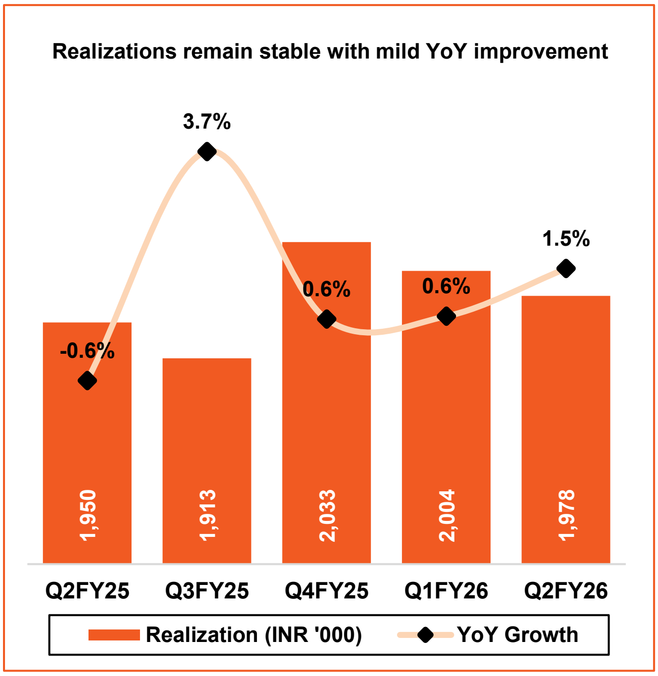
Ashok Leyland Ltd.

Story in charts









Source: Company, Deven Choksey Research

Ashok Leyland Ltd.

RESULT SNAPSHOT

Particulars (INR Mn)	Q2FY26	Q1FY25	Q2FY25	Q-o-Q	Y-o-Y
No. of vehicles sold	**49,116**	**44,238**	**48,985**	**11.0%**	**0.3%**
Sales	**95,882**	**87,245**	**87,689**	**9.9%**	**9.3%**
Total Expenditure	**84,260**	**77,550**	**77,515**	**8.7%**	**8.7%**
Cost of Raw Materials	62,104	63,866	57,735	(2.8%)	7.6%
Purchase of Stock	4,493	4,271	4,070	5.2%	10.4%
Changes in Inventories	1,641	(6,509)	605	125.2%	(171.0%)
Employee Cost	6,478	6,122	5,987	5.8%	8.2%
Other Expenses	9,546	9,799	9,118	(2.6%)	4.7%
EBITDA	**11,622**	**9,695**	**10,173**	**19.9%**	**14.2%**
EBITDA Margin (%)	**12.1%**	**11.1%**	**11.6%**	**101 bps**	**52 bps**
Depreciation	1,723	1,828	1,754	(5.7%)	(1.8%)
EBIT	**9,899**	**7,867**	**8,419**	**25.8%**	**17.6%**
EBIT Margin (%)	**10.3%**	**9.0%**	**9.6%**	**131 bps**	**72 bps**
Interest Expense	420	419	607	0.3%	(30.8%)
Other income	1,348	529	973	155.0%	38.6%
PBT	**10,827**	**7,977**	**8,785**	**35.7%**	**23.2%**
Exceptional items	(400)	0	1,174	NM	NM
Tax	2,716	2,040	2,257	33.1%	20.3%
PAT	**7,711**	**5,937**	**7,701**	**29.9%**	**0.1%**
Adj. PAT	**8,111**	**5,937**	**6,527**	**36.6%**	**24.3%**
Adj. EPS	**1.4**	**1.0**	**1.1**	**36.6%**	**24.3%**

Source: Company, DevenChoksey Research

Ashok Leyland Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26	FY27E	FY28E
Revenues	**3,87,528**	**4,09,767**	**4,50,457**	**5,00,439**
COGS	2,76,228	2,89,265	3,18,085	3,53,319
Gross profit	**1,11,300**	**1,20,502**	**1,32,372**	**1,47,119**
Employee cost	24,063	26,188	28,364	33,067
Other expenses	37,931	40,539	43,851	49,641
EBITDA	**49,306**	**53,774**	**60,157**	**64,411**
EBITDA Margin	12.7%	13.1%	13.4%	12.9%
D&A	7,193	7,231	7,365	7,545
EBIT	**42,112**	**46,543**	**52,792**	**56,866**
Interest expense	2,169	1,628	1,390	1,400
Exceptional items	1,037	(400)	0	0
Other Income	2,503	3,136	2,285	2,085
PBT	43,483	47,651	53,687	57,551
Tax	10,450	12,068	13,422	14,388
PAT	33,033	35,583	40,266	43,163
EPS (INR)	5.6	6.1	6.9	7.3
Adj. PAT	31,996	35,983	40,266	43,163
Adj. EPS (INR)	5.4	6.1	6.9	7.4

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26	FY27E	FY28E
Equity				
Equity Capital	2,937	2,937	2,937	2,937
Other Equity	1,12,251	1,11,141	1,33,621	1,56,658
Total Equity	**1,15,188**	**1,14,078**	**1,36,557**	**1,59,595**
Non-Current Liabilities				
Secured and unsecured loans	9,340	7,340	5,340	4,040
Deferred tax liabilities	5,479	5,479	5,479	5,479
Other Current Liabilities	10,944	10,944	10,944	10,944
Total Non-Current Liabilities	**25,763**	**23,763**	**21,763**	**20,463**
Current Liabilities				
Other financial liabilities	5,478	5,478	5,478	5,478
Provisions	8,252	8,252	8,252	8,252
Trade Paybles	77,265	82,647	90,881	1,00,948
Other current liabilities	23,313	23,257	23,257	23,257
Total Current Liabilities	**1,14,308**	**1,19,633**	**1,27,867**	**1,37,934**
Total Liabilities	**1,40,070**	**1,43,396**	**1,49,630**	**1,58,397**
Non-Current Assets				
PPE	46,820	44,086	41,721	37,176
Investments	62,293	62,293	62,293	62,293
Other current assets	22,823	21,010	21,010	21,010
Total Non-Current Assets	**1,31,935**	**1,27,388**	**1,25,023**	**1,20,478**
Current Assets				
Inventories	29,573	29,693	32,642	36,264
Trade Receivables	28,873	31,521	34,651	38,495
Loans	1,182	1,182	1,182	1,182
Cash and Bank	26,598	26,953	47,950	72,428
Oher current assets	37,096	40,736	44,740	49,144
Total Current Assets	**1,23,323**	**1,30,085**	**1,61,164**	**1,97,513**
Total Assets	**2,55,258**	**2,57,473**	**2,86,187**	**3,17,992**

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26	FY27E	FY28E
CFFO	78,194	43,361	47,172	50,305
Capex	(11,726)	(2,684)	(5,000)	(3,000)
Dividend Paid	(20,408)	(36,694)	(17,786)	(20,126)
Change in Capital	**(10,230)**	**(2,000)**	**(2,000)**	**(1,300)**
Closing Cash	26,600	26,953	47,950	72,428
FCF	**66,468**	**40,677**	**42,172**	**47,305**

Exhibit 4: Key Ratios

INR Mn	FY25	FY26	FY27E	FY28E
Gross Margin (%)	28.7%	29.4%	29.4%	29.4%
EBITDA Margin (%)	12.7%	13.1%	13.4%	12.9%
RoE (%)	32.5%	31.0%	32.1%	29.1%
RoCE (%)	29.9%	33.8%	33.3%	31.6%
P/E	36.3x	24.0x	21.4x	20.0x

Source: Company, DevenChoksey Research

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Ashok Leyland Ltd.

Ashok Leyland Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
19-Nov-25	147	156	ACCUMULATE
20-Aug-25	133	155	BUY
28-May-25	120	143	BUY
13-Feb-25	109	126	BUY
11-Nov-24	112	126	ACCUMULATE
29-Jul-24	128	141	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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