Ashok Leyland (ASHLEY)

CMP: ₹160 | Target ₹ 170 (6%) | Target Period: 12 months | HOLD

November 18, 2026

Demand prospects healthy, near-term margin risks...

About the stock: Ashok Leyland (ALL) is a pure-play CV manufacturer domestically, with FY26 market share pegged at 18.7% (flattish 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 through Switch Mobility.

- FY26 product mix – LCV goods 35%, trucks 50%, buses 15%

Q2FY27 performance: Ashok Leyland reported healthy performance for the quarter. Standalone operating income for Q2FY27 came in at ₹ 13,364 crore, up ~39% YoY amidst 32% growth in volumes to ~64.7k units. Share of M&HCV in total volume mix for the quarter stood at 65% up ~500 bps QoQ & ~270 bps YoY. EBITDA for the quarter came in at ₹ 1,350 crore with margins at 10.1%, flat QoQ. Consequent PAT in Q2FY27 came in at ₹ 869 crore up 13% YoY.

Investment Rationale:

- **Strong Market Positioning, Market Share Gains:** Domestic commercial vehicle industry has seen a healthy performance with ~29% growth in Q2FY27 amidst GST-led price rationalization and consumption demand driving new vehicle purchases by fleet operators. Supported by this, ALL appears well positioned to benefit from a multi-year commercial vehicle replacement cycle, improving freight demand, and aging fleet replacement. The company is gaining market share in both MHCV and LCV segments, with domestic MHCV market share reaching 32.1% and LCV VAHAN share improving to 13.6%. Its ability to outperform industry growth reflects improving product competitiveness, customer acceptance and service reach. With management expecting double-digit to mid-teens industry growth in FY27, Ashok Leyland is positioned to benefit from favourable demand conditions and increasing replacement activity.
- **Diversification and Balance-Sheet Strength Can Improve Earnings Quality:** The company is scaling higher-margin and structurally attractive businesses such as defence, Power Solutions, aftermarket, LCVs, and EVs, with aftermarket revenue growing 20% YoY, power solutions revenue increased 33%, and defence revenue rose 66% to ~₹400 crore. In electric mobility, Switch Mobility India delivered 439 e-buses and 732 e-LCVs during H1, with an e-bus order book of ~2,800 units. At the same time, the company has a strong ₹3,546 crore net cash position. This stronger balance sheet gives management the ability to sustain a higher Capex cycle, and international expansion. Management expects Q3 inflation to remain challenging and is relying on calibrated price increases, better product mix, cost savings and operating leverage to protect profitability.

Rating and Target Price

- ALL strong positioning in MHCVs, export momentum & progress in EVs support its growth narrative. However near-term uncertainties around commodity inflation and valuations turning full, limits the stock price gains in our view. We therefore maintain **HOLD** rating & value ALL at SOTP based TP of **₹170** (12x on avg. of FY28-29E EV/EBITDA, 2x P/B for long term investments)

ASHOK LEYLAND
Koi Manzil Door Nahin

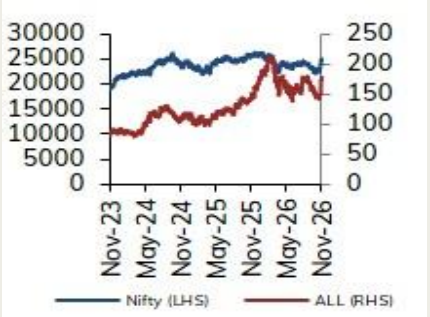
Particulars

Particular	₹ crore
Market Capitalization	93,982
Total Debt (FY26)	1,152
Cash & Inv. (FY26)	7,097
EV (₹ Crore)	88,037
52-week H/L (₹)	215 / 138
Equity capital (₹ crore)	587.4
Face value (₹)	1.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	51.5	51.5	51.5	51.5
FII	24.4	24.6	20.7	19.9
DII	13.7	13.1	15.8	16.6
Other	10.4	10.9	12.1	12.0

Price Chart



Recent event & key risks

- We built in ~9.4% volume CAGR over FY26-29E with EBITDA margins seen in the ~10.5-11.5% band
- Key Risk: (i) higher than built in margin profile due to stability in commodity prices. (ii) lower than built in volume growth amidst moderation in demand on a high base in FY28E

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	4-year CAGR (FY22-26)	FY27E	FY28E	FY29E	3-year CAGR (FY26-29E)
Net Sales	38,367	38,753	44,007	19.4%	52,137	56,641	61,411	11.7%
EBITDA	4,607	4,931	5,732	54.9%	5,424	6,137	7,056	7.2%
EBITDA Margins (%)	12.0	12.7	13.0		10.4	10.8	11.5	
Net Profit	2,618	3,303	3,566	60.2%	3,541	4,122	4,845	10.8%
EPS (₹)	4.5	5.6	6.1		6.0	7.0	8.2	
P/E	35.9	28.4	26.4		26.5	22.8	19.4	
RoNW (%)	30.4	28.0	29.2		24.3	25.2	26.1	
RoCE (%)	30.7	28.8	31.6		27.2	28.5	30.1	

Source: Company, ICICI Direct Research

Q2FY27 Earnings Conference Call Highlights

- **Strong Domestic CV Demand and Market Share Gains:** The domestic commercial vehicle industry witnessed strong growth during Q2FY27, supported by replacement demand, infrastructure activity, improving fleet utilisation, sustained freight movement and healthy economic activity. The domestic MHCV industry grew by 39% YoY, while the LCV industry expanded by 24%. Ashok Leyland outperformed the industry, with domestic MHCV volumes increasing 44% YoY. Its MHCV market share improved by 120 bps to 32.1%, while truck market share increased by 150 bps. In the LCV segment, volumes grew 21% to 21,371 units, with VAHAN market share improving 30 bps to 13.6%. Overall domestic CV volumes, excluding defence, stood at 59,575 units, up 34% YoY, marking the company's highest-ever Q2 volumes. H1 domestic volumes also reached a record 105,877 units, registering 24% growth.
- **Commodity-Led Margin Pressure:** Profitability was impacted by sharp increases in steel, natural rubber, foreign exchange, fuel and conversion costs. Material costs as a percentage of revenue increased to 74.9% from 71.5% in Q1 FY27, representing a 340bps sequential increase. Ashok Leyland has been consistently improving net sales realisation by approximately 1–1.25% every quarter, resulting in cumulative price realisation improvement of around 2–2.5% since the beginning of FY27. The company had already taken a price increase in Q3 and indicated an intention to pursue approximately 100–150 bps of further price increases during the quarter. Management also indicated that another price increase was likely in Q4, depending on market conditions
- **Product Premiumisation, New Launches and Capacity Expansion:** During the quarter, the company launched India's first air-suspension multi-axle trucks, offering a payload advantage of up to four tonnes, improved stability, ride comfort and tyre life. Multi-axle vehicles increased from 20% of truck volumes in Q1 to 25% in Q2, reflecting improved product traction. Capacity utilisation was approaching 90%, prompting the company to consider debottlenecking, capacity augmentation and greenfield expansion. FY27 capex guidance stands at ₹1,000–1,200 crore
- **Exports Provide Additional Growth Optionality:** International volumes increased 7% YoY to 5,102 units, although GCC volumes declined approximately 20% due to geopolitical disruptions in West Asia, shipping constraints and logistical challenges surrounding the Ras Al-Khaimah facility. Management indicated that the facility's supply chain had substantially normalised and was operating close to full capacity, supporting expectations of a recovery in GCC volumes in Q3 and Q4. Other markets, particularly SAARC and Africa, delivered healthy growth.
- **Industry Growth Outlook Remains Positive:** Management maintained a positive outlook for the commercial vehicle industry for the remainder of FY27. It expects the domestic CV industry to register double-digit growth for the full year, potentially reaching mid-teens growth, particularly in MHCV. LCV is also expected to register similar growth. Management highlighted that October demand remained strong despite a higher year-on-year base, while customer sentiment in November was also encouraging. Replacement demand, ageing fleets, infrastructure spending, improving freight activity and better total cost of ownership of newer BS-VI vehicles are expected to support demand.
- EV ecosystem is scaling: In electric mobility, Switch Mobility India delivered 439 electric buses and 732 electric LCVs during H1FY27, with an order book of approximately 2,800 electric buses. OHM Mobility's operating fleet increased to around 2,100 electric buses and it secured an order for deploying over 200 trucks for fixed-route cement distribution under the E-MaaS model. The company has also commenced construction of its battery-pack manufacturing facility at Pillaipakkam, with an initial planned capacity of approximately 4 GWh, expandable to 8–12 GWh, and production targeted for Q3FY28.

Key tables & Charts

Exhibit 1: Quarterly Valuation

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Total Operating Income	13,364	9,588	39.4	9,634	38.7
Raw Material Expenses	10,009	6,824	46.7	6,892	45.2
Employee Expenses	709	648	9.5	693	2.4
Other expenses	1,296	955	35.8	1,080	20.0
EBITDA	1,350	1,162	16.2	970	39.2
EBITDA Margin (%)	10.1	12.1	-202 bps	10.1	4 bps
Other Income	65	135	-51.8	85	-23.7
Depreciation	186	172	7.7	183	1.4
Interest	42	42	0.5	42	1.6
Tax	318	272	17.2	221	44.0
Reported PAT	869	771	12.7	609	42.7
EPS	1.5	0.7	12.7	0.5	42.7
Key Metrics					
ASPs (₹ lakh/unit)	20.7	19.5	5.8	19.8	4.6
Sales Volume	64,677	49,116	31.7	48,763	32.6
M&HCV Share	65	63	267 bps	60	487 bps

Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
M&HCV Passenger volumes	5,629	7,799	18,150	24,663	29,169	32,681	31,409	33,910	36,636
M&HCV Goods volumes	46,178	66,086	1,05,959	1,00,222	96,862	1,09,977	1,31,875	1,39,978	1,48,586
Total M&HCV Sales Volume	51,807	73,885	1,24,109	1,24,885	1,26,031	1,42,658	1,63,284	1,73,889	1,85,222
LCV volumes	48,908	54,441	68,096	69,800	69,066	77,779	89,035	96,445	1,04,255
Total Sales Volume	1,00,715	1,28,326	1,92,205	1,94,685	1,95,097	2,20,437	2,52,319	2,70,334	2,89,477
YoY Growth (%)	-20%	27%	50%	1%	0%	13%	14%	7%	7%
ASPs (₹ lakh/unit)	15.2	16.9	18.8	19.7	19.9	**20.0**	**20.7**	**21.0**	**21.2**

Source: Company, ICICI Direct Research

Exhibit 3: SOTP based valuation

SOTP	
Target EV/EBITDA (x)	12.0
EBITDA (₹ crore; FY28-29E average)	6,596
Enterprise Value (₹ Crore)	79,157
Net Debt (₹ crore; FY28-29E average)	(9,476)
Target Market cap Core business (₹crore)	88,633
Value/Share (A)	**150**
Strategic long-term Investments (₹ crore; FY28-29E average)	7,434
P/BV(x)	2.0
Total Value/Share post applying 20% Holdco. Discount (B)	**20**
Price target (₹, A+B)	**170**

Source: ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Total operating Income	44,007	52,137	56,641	61,411
Growth (%)	13.6	18.5	8.6	8.4
Raw Material Expenses	31,417	38,832	42,064	45,267
Employee Expenses	2,607	2,815	3,059	3,255
Other Expenses	4,251	5,066	5,381	5,834
Total Operating Expenditure	38,275	46,712	50,504	54,355
EBITDA	5,732	5,424	6,137	7,056
Growth (%)	16.3	-5.4	13.1	15.0
Depreciation	715	756	793	829
Interest	170	166	117	79
Other Income	315	303	342	400
PBT	5,163	4,806	5,570	6,548
Exceptional charges	0	40	308	0
Total Tax	1,248	1,264	1,448	1,702
PAT	3,566	3,541	4,122	4,845
Growth (%)	7.9	-0.7	16.4	17.6
EPS (₹)	6.1	6.0	7.0	8.3

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Profit after Tax	3,566	3,541	4,122	4,845
Add: Depreciation	715	756	793	829
(Inc)/dec in Current Assets	(958)	(1,914)	(1,284)	(906)
Inc/(dec) in CL and Provisions	1,795	2,497	1,312	1,390
CF from operating activities	5,288	5,046	5,059	6,237
(Inc)/dec in Investments	(2,006)	(1,300)	(850)	(1,750)
(Inc)/dec in Fixed Assets	(1,423)	(1,000)	(1,000)	(1,000)
Others	836	(114)	(103)	(104)
CF from investing activities	(2,593)	(2,414)	(1,953)	(2,854)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(284)	(250)	(250)	(250)
Dividend paid & dividend tax	(2,056)	(2,056)	(2,350)	(2,643)
Others	(85)	(166)	(117)	(79)
CF from financing activities	(2,424)	(2,472)	(2,716)	(2,972)
Net Cash flow	271	161	390	410
Opening Cash	2,706	2,977	3,138	3,528
Closing Cash	2,977	3,138	3,528	3,938

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Liabilities				
Equity Capital	587	587	587	587
Reserve and Surplus	12,526	14,012	15,784	17,986
Total Shareholders funds	13,113	14,599	16,371	18,573
Total Debt	1,152	902	652	402
Deferred Tax Liability	536	536	536	536
Other non-current liabilities	465	490	515	540
Total Liabilities	15,901	17,171	18,729	20,716
Assets				
Gross Block	12,080	13,309	14,309	15,309
Less: Acc Depreciation	6,745	7,501	8,294	9,123
Net Block	5,335	5,808	6,016	6,186
Capital WIP	479	250	250	250
Total Fixed Assets	5,814	6,058	6,266	6,436
Investments	6,559	7,059	7,309	7,559
Inventory	3,486	4,285	4,655	5,047
Debtors	2,950	3,857	4,655	5,047
Loans and Advances	-	-	-	-
Other current assets	1,129	1,337	1,453	1,575
Cash	2,977	3,138	3,528	3,938
Total Current Assets	10,542	12,617	14,291	15,608
Creditors	8,329	9,999	10,863	11,777
Provisions	1,350	1,621	1,761	1,909
Other current Liabilties	3,013	3,570	3,878	4,205
Total Current Liabilities	12,693	15,190	16,502	17,892
Net Current Assets	(2,151)	(2,573)	(2,211)	(2,284)
Application of Funds	15,901	17,171	18,729	20,716

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY26	FY27E	FY28E	FY29E
Per share data (₹)				
EPS	6.1	6.0	7.0	8.3
Cash EPS	7.3	7.3	8.4	9.7
BV	22.3	24.9	27.9	31.6
DPS	3.5	3.5	4.0	4.5
Cash Per Share	5.1	5.3	6.0	6.7
Operating Ratios (%)				
EBITDA Margin	13.0	10.4	10.8	11.5
PBT / Net sales	11.7	9.2	9.8	10.7
PAT Margin	6.8	8.0	6.9	9.9
Inventory days	28.9	30.0	30.0	30.0
Debtor days	24.5	27.0	30.0	30.0
Creditor days	69.1	70.0	70.0	70.0
Return Ratios (%)				
RoE	29.2	24.3	25.2	26.1
RoCE	31.6	27.2	28.5	30.1
RoIC	60.3	52.7	56.7	65.5
Valuation Ratios (x)				
P/E	26.4	26.5	22.8	19.4
EV / EBITDA	15.4	16.0	13.9	11.8
EV / Net Sales	2.0	1.7	1.5	1.4
Market Cap / Sales	2.1	1.8	1.7	1.5
Price to Book Value	7.2	6.4	5.7	5.1
Solvency Ratios				
Debt/Equity	0.1	0.1	0.0	0.0
Current Ratio	0.7	0.7	0.7	0.7
Quick Ratio	0.4	0.4	0.4	0.4

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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