

May 26, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	239		210	
Sales (Rs. m)	4,10,898	4,38,159	4,07,254	4,18,874
% Chng.	0.9	4.6		
EBITDA (Rs. m)	53,622	59,371	48,463	50,265
% Chng.	10.6	18.1		
EPS (Rs.)	11.9	13.3	10.7	10.7
% Chng.	10.4	24.5		

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	3,61,441	3,83,670	4,10,898	4,38,159
EBITDA (Rs. m)	29,307	46,066	53,622	59,371
Margin (%)	8.1	12.0	13.1	13.6
PAT (Rs. m)	13,248	26,826	34,810	39,114
EPS (Rs.)	4.5	9.1	11.9	13.3
Gr. (%)	265.9	102.5	29.8	12.4
DPS (Rs.)	2.4	5.1	6.5	7.3
Yield (%)	1.2	2.4	3.1	3.5
RoE (%)	16.8	31.1	36.3	34.7
RoCE (%)	19.5	34.2	38.8	38.0
EV/Sales (x)	1.7	1.6	1.4	1.3
EV/EBITDA (x)	21.1	13.1	11.1	9.7
PE (x)	46.7	23.1	17.8	15.8
P/BV (x)	7.3	7.0	6.0	5.1

Key Data

ASOK.BO | AL IN

52-W High / Low	Rs.220 / Rs.144	
Sensex / Nifty	75,410 / 22,957	
Market Cap	Rs.619bn/ \$ 7,446m	
Shares Outstanding	2,936m	
3M Avg. Daily Value	Rs.3151.23m	

Shareholding Pattern (%)

Promoter's	51.52
Foreign	21.45
Domestic Institution	12.30
Public & Others	14.73
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	18.6	18.3	40.1
Relative	16.2	3.5	14.8

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Ashok Leyland (AL IN)

Rating: BUY | CMP: Rs211 | TP: Rs239

Continues to deliver healthy margin expansion

Quick Pointers:

- New product launches to fill the white spaces in LCV segment
- Management optimistic on growth momentum for MHCV & LCV in FY25

AL standalone revenue declined by 3.1% YoY, coming in marginally lower than PLe/BBGe. ASP increased by 2.8% YoY/2.0% QoQ indicating lower discounts and better pricing across the product portfolio. Its margin at 14.1% beat PLe of 13.2% driven by lower input costs and employee expenses. The management will continue to work towards improving its EBITDA margin towards mid-teens which will be led by pricing action, cost cutting initiatives and discipline on discounts.

We believe AL is well placed to deliver on market share gains and volume growth which will be driven by new launches and demand for higher tonnage CVs. Additionally, it is looking to fill white spaces in LCV segment with further 6+ new launches planned for FY25 including EVs. Factoring this, we increase our EBITDA estimates by 10.6%/18.1% FY25/FY26 respectively. We retain our buy rating with a TP of Rs 239 (previous Rs 210) valuing its core business on 10.5x on its EV/EBITDA and HLF at Rs 13.

- **Revenue in line; continues to deliver margin beat:** Its revenue declined by 3.1% YoY to Rs 112.7bn (PLe: Rs 113.4bn; BBGe: Rs 113.2bn). Despite a decline of 5.7% YoY in its volume, it reported strong operational performance as gross profit grew by 12% YoY to Rs 31.8bn (PLe: Rs 31bn; BBGe: Rs 31.3bn) with a margin of 28.2% (PLe: 27.3%; BBGe: 27.6%). Benign commodity prices, cost cutting measures and decline employee expenses led to EBITDA growth 24.8% YoY to Rs 15.9bn (PLe: Rs 15bn; BBGe: 14.2bn) while margin expanded by 316bps YoY to 14.1% (PLe: 13.2%; BBGe: 12.6%). Strong overall performance and 2x rise in its other income lifted APAT higher by 32.4% YoY to Rs 9.5bn (PLe: Rs 9.1bn; BBGe: Rs 8.2bn).
- **Discipline on discounts and mix improvement continue to aid ASP:** In Q4FY24, ASP/unit grew by 2.8% YoY/2% QoQ to Rs 2.00mn (PLe: Rs 2.02mn; BBGe: Rs 2.01mn) which was mainly driven by pricing action on discounts and better mix of products (higher tonnage trucks and buses sales). Over the last few quarter the management has envisaged to delivering strong profits by lower discounts on the products.
- **Strong FY24 performance despite muted H2FY24 volume:** AL reported moderate revenue growth of 6.2% at Rs 383.7bn. Despite muted volume growth during H2FY24, its Gross/EBITDA margin expanded by 430bps/390bps respectively which was led by price hikes, lowering discounts to improve the profitability and benign commodity prices. Similarly, ASP grew by 4.8% YoY to Rs 1.9mn while APAT grew by 109.3% YoY to Rs 27.1bn.

Exhibit 1: 4QFY24 Result Overview (Rs m)

Y/e March	4QFY24	4QFY23	YoY gr. (%)	4QFY24E	Var (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Revenues	1,12,667	1,16,257	(3.1)	1,13,444	(0.7)	92,730	21.5	3,83,670	3,61,441	6.2
Raw Materials	80,906	87,887	(7.9)	82,432	(1.9)	66,977	20.8	2,79,120	2,78,492	0.2
<i>% of Net Sales</i>	<i>71.8%</i>	<i>75.6%</i>	<i>-379 bps</i>	<i>72.7%</i>	<i>-85 bps</i>	<i>72.2%</i>		<i>72.7%</i>	<i>77.1%</i>	<i>-430 bps</i>
Personnel	5,535	5,919	(6.5)	5,884	(5.9)	5,695	(2.8)	22,334	21,139	5.7
<i>% of Net Sales</i>	<i>4.9%</i>	<i>5.1%</i>	<i>-18 bps</i>	<i>5.2%</i>	<i>-27 bps</i>	<i>6.1%</i>		<i>5.8%</i>	<i>5.8%</i>	<i>-3 bps</i>
Manufacturing & Other Exp	10,305	9,693	6.3	10,100	2.0	8,919	15.5	36,151	32,504	11.2
<i>% of Net Sales</i>	<i>9.1%</i>	<i>8.3%</i>	<i>81 bps</i>	<i>8.9%</i>	<i>24 bps</i>	<i>9.6%</i>		<i>9.4%</i>	<i>9.0%</i>	<i>43 bps</i>
Total Expenditure	96,746	1,03,499	(6.5)	98,416	(1.7)	81,591	18.6	3,37,605	3,32,134	1.6
EBITDA	15,921	12,757	24.8	15,028	5.9	11,139	42.9	46,066	29,307	57.2
<i>EBITDA Margin (%)</i>	<i>14.1%</i>	<i>11.0%</i>	<i>316 bps</i>	<i>13.2%</i>	<i>88 bps</i>	<i>12.0%</i>		<i>12.0%</i>	<i>8.1%</i>	<i>390 bps</i>
Depreciation	1,797	1,838	(2.2)	1,905	(5.7)	1,785	0.7	7,178	7,320	(1.9)
EBIT	14,124	10,919	29.4	13,123	7.6	9,355	51.0	38,888	21,987	76.9
Interest Expenses	592	628	(5.6)	581	1.9	616	(3.9)	2,494	2,891	(13.7)
Non-operating income	1,179	389	202.9	483	144.2	300	292.6	2,466	1,161	112.3
Extraordinary items	(697)	564		86		(6)		(937)	846	
PBT	14,014	11,245	24.6	13,110	6.9	9,033	55.2	37,922	21,104	79.7
Tax-Total	5,010	3,731	34.3	3,969	26.2	3,232	55.0	11,743	7,303	60.8
<i>Tax Rate (%) - Total</i>	<i>35.8%</i>	<i>33.2%</i>	<i>7.8</i>	<i>30.3%</i>		<i>35.8%</i>		<i>31.0%</i>	<i>34.6%</i>	
Reported PAT	9,004	7,514	19.8	9,141	(1.5)	5,800	55.2	26,179	13,801	89.7
Adj. PAT	9,527	7,091	34.3	9,077	5.0	5,805	64.1	26,826	13,167	94.2
<i>PAT Margin</i>	<i>8.5%</i>	<i>6.1%</i>	<i>236 bps</i>	<i>8.0%</i>	<i>45 bps</i>	<i>6.3%</i>		<i>7.0%</i>	<i>3.6%</i>	<i>335 bps</i>

Source: Company, PL

Exhibit 2: Operating Metrics – Realization continue to be on growth trajectory

Y/e March (Rs mn)	4QFY24	4QFY23	YoY gr. (%)	4QFY24E	Var (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Sales Volume (nos)	56,269	59,697	(5.7)	56,269	-	47,241	19.1	1,94,685	1,92,205	1.3
Net Realization/Vehicle	20,02,291	19,47,446	2.8	20,16,105	(0.7)	19,62,916	2.0	19,70,723	18,80,499	4.8
Material cost / vehicle	14,37,838	14,72,213	(2.3)	14,64,969	(1.9)	14,17,781	1.4	14,33,701	14,48,930	(1.1)
Gross Profit / vehicle	5,64,453	4,75,233	18.8	5,51,136	2.4	5,45,135	3.5	5,37,022	4,31,570	24.4
Employee cost /vehicle	98,372	99,156	(0.8)	1,04,567	(5.9)	1,20,544	(18.4)	1,14,718	1,09,979	4.3
Other expenses / vehicle	1,83,135	1,62,375	12.8	1,79,496	2.0	1,88,794	(3.0)	1,85,688	1,69,113	9.8
EBITDA/vehicle	2,82,946	2,13,703	32.4	2,67,072	5.9	2,35,797	20.0	2,36,617	1,52,478	55.2
Net Profit/vehicle	1,60,019	1,25,871	27.1	1,62,453	(1.5)	1,22,781	30.3	1,34,467	71,804	87.3

Source: Company, PL

Conference Call Highlights:

- The company plans to launch 6+ new products in the SCV & LCV segments in FY25 to fill the portfolio gap and gain market share in the segment.
- Despite the macro-economic situation, its exports grew by 4.2% YoY and improved its market share in terms of exports.
- Going ahead, the management remains confident in increasing its market share in truck and bus segment. Additionally, it maintains its guidance of achieving its medium-term market share aspiration of 35% in the MSCV segment.
- It will continue to focus on driving its cost lower and maintain its position on discounts going forward which will continue to drive the margin and ASP profile for the company.
- Switch Mobility India was EBITDA positive in Q4FY24, the company expects it to be EBITDA positive in the upcoming quarters.
- In Q4FY24, it delivered its 1st electric bus and is progressing towards delivering 950+ buses to Delhi and 300+ buses to Bangalore.
- The management remains optimistic on growth prospect for FY25 and going forward as 70% of the CV in the market are older and BSIV variants. This provides a large opportunity for the industry when the replacement demand starts to flow in.
- Hinduja Leyland Finance AUM stands at ~Rs 50k Cr.
- Orderbook for the new eLCV is gradually building and has planned for the new launch "iEV3" in next 2-3 months.
- Capex for FY25 is estimated to be between Rs 5-7bn.
- It witnessed strong growth across Spares, Defence and Power Solution business in FY24.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	3,61,441	3,83,670	4,10,898	4,38,159
YoY gr. (%)	64.1	6.2	7.1	6.6
Cost of Goods Sold	2,78,492	2,79,120	2,98,723	3,17,665
Gross Profit	82,950	1,04,550	1,12,175	1,20,494
Margin (%)	22.9	27.3	27.3	27.5
Employee Cost	21,139	22,334	22,599	24,099
Other Expenses	32,504	36,151	35,954	37,024
EBITDA	29,307	46,066	53,622	59,371
YoY gr. (%)	119.7	57.2	16.4	10.7
Margin (%)	8.1	12.0	13.1	13.6
Depreciation and Amortization	7,320	7,178	7,484	7,881
EBIT	21,987	38,888	46,138	51,489
Margin (%)	6.1	10.1	11.2	11.8
Net Interest	2,891	2,494	1,771	1,771
Other Income	1,161	2,466	2,046	2,434
Profit Before Tax	21,104	37,922	46,413	52,153
Margin (%)	5.8	9.9	11.3	11.9
Total Tax	7,303	11,743	11,603	13,038
Effective tax rate (%)	34.6	31.0	25.0	25.0
Profit after tax	13,801	26,179	34,810	39,114
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	13,248	26,826	34,810	39,114
YoY gr. (%)	-	-	-	-
Margin (%)	3.7	7.0	8.5	8.9
Extra Ord. Income / (Exp)	553	(647)	-	-
Reported PAT	13,801	26,179	34,810	39,114
YoY gr. (%)	56.6	89.7	33.0	12.4
Margin (%)	3.8	6.8	8.5	8.9
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	11.9	13.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,07,488	1,11,143	1,19,143	1,27,143
Tangibles	1,07,488	1,11,143	1,19,143	1,27,143
Intangibles	-	-	-	-
Acc: Dep / Amortization	48,946	56,124	63,608	71,489
Tangibles	48,946	56,124	63,608	71,489
Intangibles	-	-	-	-
Net fixed assets	58,543	55,019	55,535	55,654
Tangibles	58,543	55,019	55,535	55,654
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	57,107
Net Deferred tax assets	(5,035)	(5,563)	(5,563)	(5,563)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	27,714	2,491	25,000	25,000
Inventories	27,745	31,907	36,024	39,614
Trade receivables	40,627	35,699	37,150	38,414
Cash & Bank Balance	5,013	35,332	24,096	39,689
Other Current Assets	21,529	16,049	18,456	21,225
Total Assets	2,25,916	2,36,118	2,58,382	2,83,217
Equity				
Equity Share Capital	2,936	2,936	2,936	2,936
Other Equity	81,322	85,167	1,00,832	1,18,433
Total Network	84,258	88,104	1,03,768	1,21,370
Non-Current Liabilities				
Long Term borrowings	17,973	11,610	11,610	11,610
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	14,276	11,384	11,384	11,384
Trade payables	71,751	63,052	66,419	70,225
Other current liabilities	32,624	56,405	59,637	63,065
Total Equity & Liabilities	2,25,916	2,36,118	2,58,382	2,83,217

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	21,104	37,922	46,413	52,153
Add. Depreciation	7,320	7,178	7,484	7,881
Add. Interest	2,891	2,494	1,771	1,771
Less Financial Other Income	1,161	2,466	2,046	2,434
Add. Other	(1,161)	(2,466)	(2,046)	(2,434)
Op. profit before WC changes	30,153	45,129	53,622	59,371
Net Changes-WC	(1,792)	21,328	(1,375)	(389)
Direct tax	(3,711)	(11,215)	(11,603)	(13,038)
Net cash from Op. activities	24,649	55,241	40,644	45,943
Capital expenditures	(3,735)	(4,345)	(8,000)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	(2,545)	(11,720)	(454)	934
Net Cash from Invt. activities	(6,279)	(16,064)	(8,454)	(7,066)
Issue of share cap. / premium	4,254	(7,419)	-	-
Debt changes	(3,291)	(9,254)	-	-
Dividend paid	(7,166)	(14,914)	(19,146)	(21,513)
Interest paid	(2,891)	(2,494)	(1,771)	(1,771)
Others	-	-	-	-
Net cash from Fin. activities	(9,093)	(34,082)	(20,916)	(23,283)
Net change in cash	9,277	5,095	11,274	15,593
Free Cash Flow	20,915	50,897	32,644	37,943

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	81,893	96,380	92,730	1,12,667
YoY gr. (%)	13.4	16.6	2.7	(3.1)
Raw Material Expenses	60,372	70,866	66,977	80,906
Gross Profit	21,521	25,515	25,753	31,761
Margin (%)	26.3	26.5	27.8	28.2
EBITDA	8,207	10,798	11,139	15,921
YoY gr. (%)	156.3	101.0	39.7	24.8
Margin (%)	10.0	11.2	12.0	14.1
Depreciation / Depletion	1,794	1,803	1,785	1,797
EBIT	6,414	8,995	9,355	14,124
Margin (%)	7.8	9.3	10.1	12.5
Net Interest	699	587	616	592
Other Income	512	475	300	1,179
Profit before Tax	7,971	8,654	9,033	14,014
Margin (%)	9.7	9.0	9.7	12.4
Total Tax	2,207	3,044	3,232	5,010
Effective tax rate (%)	27.7	35.2	35.8	35.8
Profit after Tax	5,764	5,610	5,800	9,004
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,503	5,758	5,804	9,452
YoY gr. (%)	652.7	196.8	62.6	32.4
Margin (%)	5.5	6.0	6.3	8.4
Extra Ord. Income / (Exp)	1,744	(229)	(6)	(697)
Reported PAT	5,764	5,610	5,800	9,004
YoY gr. (%)	747.1	181.5	60.5	19.8
Margin (%)	7.0	5.8	6.3	8.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	2,936	2,936	2,936	2,936
EPS (Rs)	1.5	2.0	2.0	3.2

Source: Company Data, PL Research

Key Financial Metrics

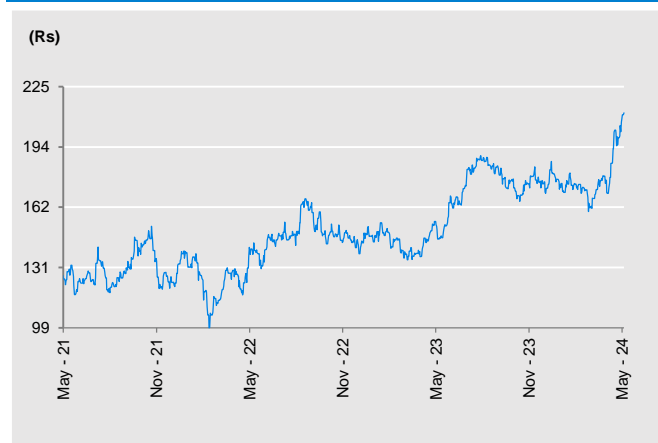
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	4.5	9.1	11.9	13.3
CEPS	7.0	11.6	14.4	16.0
BVPS	28.7	30.0	35.3	41.3
FCF	7.1	17.3	11.1	12.9
DPS	2.4	5.1	6.5	7.3
Return Ratio(%)				
RoCE	19.5	34.2	38.8	38.0
ROIC	18.0	35.3	49.6	54.5
RoE	16.8	31.1	36.3	34.7
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	(26)	(36)	(34)	(33)
Valuation(x)				
PER	46.7	23.1	17.8	15.8
P/B	7.3	7.0	6.0	5.1
P/CEPS	30.1	18.2	14.6	13.2
EV/EBITDA	21.1	13.1	11.1	9.7
EV/Sales	1.7	1.6	1.4	1.3
Dividend Yield (%)	1.2	2.4	3.1	3.5

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	1,31,026	1,37,586
LCV volumes (in units)	68,096	69,800	73,290	75,855
Total volumes (in units)	1,92,205	1,94,685	2,04,316	2,13,441
Average realisation (Rs/unit)	18,49,435	19,38,170	19,77,872	20,18,925

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	BUY	210	176
2	07-Feb-24	BUY	210	180
3	08-Jan-24	BUY	210	179
4	11-Nov-23	BUY	210	174
5	09-Oct-23	BUY	220	172
6	25-Jul-23	BUY	225	182
7	07-Jul-23	BUY	215	165
8	16-Jun-23	BUY	215	157

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	595	669
2	Ashok Leyland	BUY	210	176
3	Bajaj Auto	Sell	7,267	9,021
4	Bharat Forge	BUY	1,615	1,405
5	Bharat Petroleum Corporation	Reduce	547	619
6	Bharti Airtel	Accumulate	1,373	1,310
7	CEAT	BUY	3,017	2,545
8	Clean Science and Technology	Hold	1,383	1,328
9	Deepak Nitrite	Reduce	2,268	2,464
10	Divgi Torqtransfer Systems	BUY	1,135	843
11	Eicher Motors	BUY	5,335	4,658
12	Endurance Technologies	Accumulate	2,346	2,168
13	Exide Industries	Accumulate	495	472
14	Fine Organic Industries	Accumulate	4,779	4,287
15	GAIL (India)	Sell	163	209
16	Gujarat Fluorochemicals	Reduce	3,120	3,638
17	Gujarat Gas	Accumulate	589	553
18	Gujarat State Petronet	BUY	400	294
19	Hero Motocorp	BUY	5,629	4,614
20	Hindustan Petroleum Corporation	Sell	420	501
21	Indian Oil Corporation	Reduce	151	169
22	Indraprastha Gas	Sell	368	452
23	Jubilant Ingrevia	Hold	526	512
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,116	1,300
26	Mahindra & Mahindra	BUY	2,716	2,372
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,432	12,703
29	Navin Fluorine International	Accumulate	3,621	3,377

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

ANALYST CERTIFICATION

(Indian Clients)

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