

27 March 2025

India | Equity Research | Company Update

Ashok Leyland
Automotives

Switch Mobility switches focus to India

Ashok Leyland (AL) is considering ceasing manufacturing and assembly operations at its step-down subsidiary Switch Mobility's, Sherburn facility in the UK amid economic uncertainties in the nation's bus manufacturing sector. The company is reevaluating the current model, and plans to reduce its presence in the UK market and improve focus on Indian operations. Switch Mobility India is expected to be EBITDA break-even in FY25, and PAT break-even over the next 4-6 quarters. While downsizing Switch UK and focusing on Indian manufacturing operations may be positives from a long-term standpoint, increase in promoter pledge may remain an overhang on the stock in the near term. We maintain **ADD**, with an unchanged DCF-based target price of INR 250, implying 12x FY27E EV/EBITDA.

Takeaways from the conference call

- AL announced downsizing of its step-down subsidiary Switch Mobility UK. The decision is premised in lower volumes and uncompetitive cost structure making operations unviable. The company plans to execute orders on hand and provide aftermarket and service support from two of its other facilities in the UK – Rotherham and Thurrock – for the existing vehicle parc. The company has commenced a consultation process with its employees to potentially cease its manufacturing and assembly activities at its Sherburne facility. It expects to complete the consultation process in 45-90 days, with an estimated cost for this activity at ~GBP 10mn. AL is reevaluating the current model, and plans to reduce its presence in the UK market and improve focus on the India market. Switch Mobility India is expected to be EBITDA break-even in FY25, and PAT break-even over the next 4-6 quarters. Switch Mobility India does not require any major equity infusion in the near term.
- Apart from this, Hinduja Group has pledged around 300mn shares of AL. The pledge was created through Hinduja Automotive Ltd., a UK-based holding company, which is the primary vehicle through which the Hinduja family holds its stake in AL. Hinduja Automotive holds ~35% stake, or 1.02bn shares in AL, with the newly pledged shares representing ~30% of their total holdings in the company.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	3,83,670	3,89,375	4,25,283	4,46,547
EBITDA	46,066	45,569	49,002	51,536
EBITDA %	12.0	11.7	11.5	11.5
Net Profit	27,116	26,841	27,874	29,334
EPS (INR)	9.2	9.1	9.5	10.0
EPS % Chg YoY	109.3	(1.0)	3.9	5.2
P/E (x)	22.7	23.0	22.1	21.0
EV/EBITDA (x)	13.7	14.2	13.1	12.0
RoCE (%)	24.5	21.6	21.7	20.8
RoE (%)	34.8	28.9	27.6	25.2

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Market Data	
Market Cap (INR)	617bn
Market Cap (USD)	7,193mn
Bloomberg Code	AL IN
Reuters Code	ASOK.BO
52-week Range (INR)	265 /166
Free Float (%)	49.0
ADTV-3M (mn) (USD)	20.0

Price Performance (%)	3m	6m	12m
Absolute	(4.5)	(11.9)	26.0
Relative to Sensex	(3.9)	(3.5)	18.9

ESG Score	2023	2024	Change
ESG score	68.7	70.5	1.8
Environment	56.1	64.9	8.8
Social	67.3	70.7	3.4
Governance	76.8	75.3	-1.5

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.
Source: SES ESG, I-sec research

Previous Reports
12-02-2025: [Q3FY25 results review](#)
09-11-2024: [Q2FY25 results review](#)

Exhibit 1: Volume assumptions

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
M&HCV Goods (units)	43,210	61,301	1,03,480	1,01,997	95,796	1,00,586	1,03,603
M&HCV Passenger (units)	2,795	3,789	10,767	12,059	14,833	17,058	18,763
LCV (units)	46,588	52,037	67,648	69,500	72,280	76,617	81,980
Exports (units)	8,001	11,014	11,289	10,160	11,583	12,393	13,137
Total Volume (units)	1,00,594	1,28,141	1,93,184	1,93,716	1,94,491	2,06,653	2,17,483
ASP (INR mn)	1.52	1.79	2.06	2.1	2.02	2.06	2.08
EBITDA Margin (%)	3.5	4.6	8.1	12	11.7	12.5	13.5
Capex (INR mn)	7,722	1,257	3,735	4,345	7,787	8,506	8,931

Source: Company data, I-Sec research

Exhibit 2: Hinduja Automotive pledge details

	Promoter holding		Pledged so far		Incremental pledge		Total pledge	
	Number of shares	% of paid-up capital	Number of shares	% of paid-up capital	Number of shares	% of paid-up capital	Number of shares	% of paid-up capital
Hinduja Automotive	1,01,94,28,678	35%	45,16,60,000	15%	30,00,00,000	10%	75,16,60,000	26%

Source: Company data, I-Sec research

Upside risks

- Continued double-digit growth in domestic M&HCVs in FY25.
- AL executing its target of mid-teen margin ahead.
- AL being able to sell stake in Switch Mobility in the future.

Downside risks

- Lower-than-expected growth in the CV industry.
- Shift in modal share towards railways due to the dedicated freight corridor (DFC).

Exhibit 3: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	51.5	51.5	51.5
Institutional investors	36.3	36.3	36.8
MFs and others	5.4	5.4	6.3
FIs/Banks	0.2	0.2	0.3
Insurance	6.4	6.4	6.2
FIIIs	24.4	24.4	24.1
Others	12.2	12.2	11.7

Source: Bloomberg, I-Sec research

Exhibit 4: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	3,83,670	3,89,375	4,25,283	4,46,547
Operating Expenses	58,484	59,562	65,825	69,031
EBITDA	46,066	45,569	49,002	51,536
EBITDA Margin (%)	12.0	11.7	11.5	11.5
Depreciation & Amortization	7,178	7,761	8,291	9,130
EBIT	38,888	37,808	40,711	42,407
Interest expenditure	2,494	2,029	2,029	2,029
Other Non-operating Income	2,466	1,500	1,650	1,650
Recurring PBT	38,859	37,279	40,332	42,027
Profit / Loss from Associates	-	-	-	-
Less: Taxes	11,743	10,438	12,457	12,694
PAT	27,116	26,841	27,874	29,334
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	(937)	-	-	-
Net Income (Reported)	26,179	26,841	27,874	29,334
Net Income (Adjusted)	27,116	26,841	27,874	29,334

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	1,21,477	1,38,682	1,56,140	1,86,495
of which cash & cash eqv.	34,382	19,203	25,642	49,473
Total Current Liabilities & Provisions	1,19,906	1,27,042	1,26,491	1,26,502
Net Current Assets	1,571	11,640	29,649	59,993
Investments	53,107	58,107	63,107	68,107
Net Fixed Assets	59,518	59,544	59,759	59,560
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,015	2,015	2,015	2,015
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	1,16,211	1,31,308	1,54,532	1,89,677
Liabilities				
Borrowings	22,545	22,545	22,545	22,545
Deferred Tax Liability	5,563	5,563	5,563	5,563
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Equity Share Capital	2,936	2,936	2,936	2,936
Reserves & Surplus	85,167	1,00,263	1,23,487	1,58,632
Total Net Worth	88,104	1,03,199	1,26,423	1,61,568
Minority Interest	-	-	-	-
Total Liabilities	1,16,211	1,31,308	1,54,532	1,89,677

Source Company data, I-Sec research

Exhibit 7: 5-stage Du-pont

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Tax Burden				
(Adjusted PAT/PBT)	2.3	2.6	2.6	3.0
Interest Burden (PBT/EBIT)	1.0	1.0	1.0	1.0
EBIT Margin (EBIT/Sales)	10.1	9.7	10.6	11.5
Asset Turnover				
(Sales/Total Assets)	3.3	3.0	2.8	2.4
Financial Leverage				
(Total Assets/Equity)	1.3	1.3	1.2	1.2
ROE	34.8	28.9	27.6	25.2

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	76,017	14,172	33,720	48,599
Working Capital Changes	38,700	(22,459)	(8,633)	(641)
Capital Commitments	(4,345)	(7,787)	(8,506)	(8,931)
Free Cashflow	71,672	6,385	25,214	39,668
Other investing cashflow	(14,185)	(5,000)	(5,000)	(5,000)
Cashflow from Investing Activities	(18,530)	(12,787)	(13,506)	(13,931)
Issue of Share Capital	(7,798)	0	0	0
Interest Cost	(2,494)	(2,029)	(2,029)	(2,029)
Inc (Dec) in Borrowings	(9,256)	-	-	-
Dividend paid	(7,632)	(14,535)	(11,745)	(8,809)
Others	(938)	-	-	-
Cash flow from Financing Activities	(28,118)	(16,564)	(13,774)	(10,838)
Chg. in Cash & Bank balance	29,369	(15,179)	6,440	23,830
Closing cash & balance	34,382	19,203	25,642	49,473

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	9.2	9.1	9.5	10.0
Adjusted EPS (Diluted)	9.2	9.1	9.5	10.0
Cash EPS	11.7	11.8	12.3	13.1
Dividend per share (DPS)	4.9	4.0	3.0	1.0
Book Value per share (BV)	30.0	35.1	43.1	55.0
Dividend Payout (%)	55.5	43.8	27.5	7.7
Growth (%)				
Net Sales	6.2	1.5	9.2	5.0
EBITDA	57.2	(1.1)	7.5	5.2
EPS (INR)	109.3	(1.0)	3.9	5.2
Valuation Ratios (x)				
P/E	22.7	23.0	22.1	21.0
P/CEPS	18.0	17.8	17.1	16.0
P/BV	7.0	6.0	4.9	3.8
EV / EBITDA	13.7	14.2	13.1	12.0
EV / Sales	1.6	1.7	1.5	1.4
Profitability Ratios				
Gross Profit Margins (%)	27.3	27.0	27.0	27.0
EBITDA Margins (%)	12.0	11.7	11.5	11.5
EBIT Margins (%)	10.1	9.7	9.6	9.5
Net Profit Margins (%)	7.1	6.9	6.6	6.6
RoCE (%)	24.5	21.6	21.7	20.8
RoE (%)	34.8	28.9	27.6	25.2
Dividend Yield (%)	2.4	1.9	1.4	0.5
Operating Ratios				
Fixed Asset Turnover (x)	6.2	6.3	6.9	7.3
Inventory Turnover Days	9	9	9	9
Receivables Days	36	37	38	39
Payables Days	85	90	88	88
Effective Tax Rate (%)	30.2	28.0	30.9	30.2
Net Debt / Equity (x)	(0.1)	0.0	0.0	(0.2)
Net Debt / EBITDA (x)	(0.3)	0.1	(0.1)	(0.5)

Source Company data, I-Sec research

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