

Result Update

Q2 FY26

Ashok Leyland Ltd.

Institutional
Research

Broad-based growth across parameters; H2FY26 outlook remains upbeat

Ashok Leyland Limited reported a healthy performance for the quarter, with key metrics comfortably exceeding street expectations. The company posted a topline growth of 9.3% YoY / 9.9% QoQ to Rs. 9,538 crores, supported by a steady improvement in both domestic and export volumes. This was further aided by higher spares revenue during the period. Gross margin held broadly stable at 29.0% YoY, though it saw a sequential contraction of 52 bps, primarily due to inventory destocking. A noteworthy development was the softening of material costs despite the introduction of ACs across the MHCV portfolio, reflecting the company's ongoing cost-optimisation initiatives. EBITDA stood at Rs. 1,162 crores (up 14.2% YoY / up 19.9% QoQ), translating to a margin of 12.2% (up 53 bps YoY / up 102 bps QoQ). Margin expansion was driven by improved realizations and stronger operational discipline. Reported profit came in at Rs. 771 crores (flat YoY / up 29.9% QoQ). The comparison was influenced by an exceptional loss of Rs. 40 crores in Q2FY26 versus an exceptional gain of Rs. 117 crores in Q2FY25. Total volumes for the quarter were 49.1k units (up 7.7% YoY / up 11.0% QoQ). The company recorded a 3% YoY increase in MHCV volumes and a 6% YoY rise in LCV volumes. Ashok Leyland also highlighted marginal improvements in market share across both segments while maintaining its strong leadership position in the Bus category. The company has also recommended an interim dividend of Rs. 1 per share, with November 18, 2025, being the record date.

Valuation and Outlook

Ashok Leyland delivered a solid Q2 performance marked by resilient margin execution, strengthening demand tailwinds and continued progress on its strategic priorities. The quarter was supported by steady domestic volumes, a strong revival in exports (up 45% YoY in Q2), and sustained growth across non-truck businesses, including buses, LCVs, spares, and power solutions, which now account for nearly 50% of revenue and remain structurally margin-accretive. Operational efficiency remains the key highlight for the company, with a softening commodity trend in Q3FY26 further reinforcing near-term margin tailwinds. The demand environment has turned incrementally positive post GST 2.0, aided by a 10% reduction in vehicle prices and improving freight demand. Management expects H2 to be meaningfully better than H1 across volumes and growth rates for the MHCV and LCV segments, with October trends indicating 7% MHCV and 15% LCV industry growth. LCVs, in particular, are seeing strong traction driven by retail demand and the success of new launches like SAATHI, which now forms over 20% of LCV volumes. The medium-term outlook is reinforced by a strong product pipeline. The company is set to launch premium heavy-duty trucks (320hp and 360hp) and new high-capacity buses in Q3-Q4, which are expected to aid both mix and pricing power. Management remains confident of a margin upcycle supported by premiumisation, favourable commodity prices and a richer revenue mix, reiterating its strategic aspiration to achieve mid-teen EBITDA margins over the medium term. Overall, the company remains well positioned to benefit from the ongoing industry recovery, rising exports, margin-accretive non-truck business and a refreshed product pipeline.

Key Highlights

Particulars (Rs. Cr)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Net Sales	9,538	8,728	9.3%	8,681	9.9%
Gross profit	2,764	2,528	9.4%	2,562	7.9%
Gross margin (%)	29.0%	29.0%	2 bps	29.5%	-52 bps
EBITDA	1,162	1,017	14.2%	970	19.9%
OPM (%)	12.2%	11.7%	53 bps	11.2%	102 bps
Adj. PAT	771	770	0.1%	594	29.9%
PAT Margin	8.1%	13.4%	-528 bps	15.0%	-692 bps

Source: Company, BP Equities Research

Sector Outlook

Neutral

Stock

CMP (Rs.)	151
BSE code	500477
NSE Symbol	ASHOKLEY
Bloomberg	AL IN
Reuters	ASOK.BO

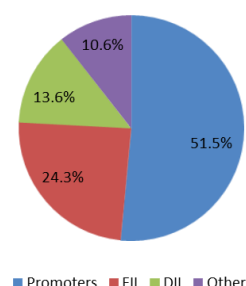
Key Data

Nifty	25,879
52 Week H/L (Rs.)	151 / 96
O/s Shares (Cr)	587
Market Cap (Rs. Cr)	88,637
Face Value (Rs.)	1

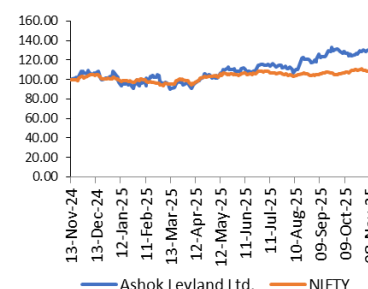
Average Volume

3 months	16,477,720
6 months	11,575,130
1 year	9,823,870

Share Holding Pattern (%)



Relative Price Chart



Research Analyst

Sagar Shetty

Sagar.shetty@bpwealth.com
022-61596158

Key Concall Highlights

Industry Update and Outlook

The MHCV industry grew 4% in Q2FY26, while the LCV segment expanded by 13%. Demand continued to strengthen in October 2025, with MHCV and LCV (2–4 ton) volumes rising 7% and 15% YoY, respectively.

Management expects H2FY26 to outperform H1FY26 in terms of absolute volumes and growth rates, supported by GST 2.0-led price reductions and an anticipated uplift in freight demand.

GST 2.0 is expected to structurally improve replacement demand, driven by the 10% reduction in truck prices and higher freight demand.

Business Update

MHCV truck volume for Q2FY26 was at 21,647 units, and MHCV bus volume was at 4,660 units. In H1FY26, Ashok Leyland's domestic MHCV market share was 31%, up 50 basis points from H1FY26 last year.

The LCV domestic volume for Q2FY26 was at 17,697 units, higher by 6.4% on a YoY basis. LCV Vanhan market share at the end of H1FY26 stood at 13.2%, higher by 0.9% on a YoY basis.

Export volumes rose sharply to 4,784 units in Q2FY26 (up 45% YoY). For H1FY26, export volumes grew 38%, driven by broad-based momentum across GCC, Africa, and SAARC markets.

Growth in non-CV business remained in line with management estimates. Aftermarket revenue grew 11% YoY, Power Solutions rose 14% YoY, and Defence revenue increased 25% YoY, supported by a strong order book and healthy tender pipeline.

Capex for Q2FY26 was Rs. 417 crores and Rs. 658 crores for H1FY26. No investments were made in subsidiaries during the first half.

Margin & Cost Control Commentary

Management reiterated that cost-saving initiatives, price recovery, and commodity tailwinds should continue to support margins in coming quarters.

Breakeven volumes have structurally reduced from 6,000-7,000 units/month earlier to ~1,000-1,200 units/month, driven by fixed-cost optimization and growing non-truck business.

Rs. 420 crore rough-terrain forklift order delayed pending emission-related NOC; likely to begin execution in Q4FY26 or spill into FY27.

Strategic Update

The company is planning to launch a new range of heavy-duty trucks with power ratings of 320 and 360 horsepower, featuring its in-house engine with 20-30% higher peak torque than competitors, targeted for the Q3/Q4FY26 timeframe.

The modern bus plant in Lucknow will be commissioned shortly. With full ramp-up of the Andhra Pradesh and Lucknow facilities, bus body-building capacity will increase to 20,000 units per year from the current 12,000 units.

The company has announced its plans to invest in the development and manufacturing of next-generation batteries for both automotive and non-automotive applications, including energy storage systems.

Subsidiary Update

For H1FY26, Switch India sold close to 600 buses and 600 eLCVs. The company also reported to be EBITDA and PAT level positive. The order book for buses at the end of H1 Y26 stood at 1,650 units.

OHM, its MaaS subsidiary, operates more than 1,100 electric buses with a fleet availability of over 98%. During the quarter, OHM added more than 250 buses to the operating fleet and is progressing well on its target of operating 2,500-plus buses within the next 12 months.

"Truck utilisation is currently stable; expected to improve further as consumption strengthens."

"The company also highlighted signs of improving consumer sentiment, underpinned by better consumption trends and increasing infrastructure activity."

"No specific price increase was undertaken in Q2FY26. The company is evaluating a price hike for Q4FY26 or Q1FY27, though a hike in Q3FY26 appears unlikely."

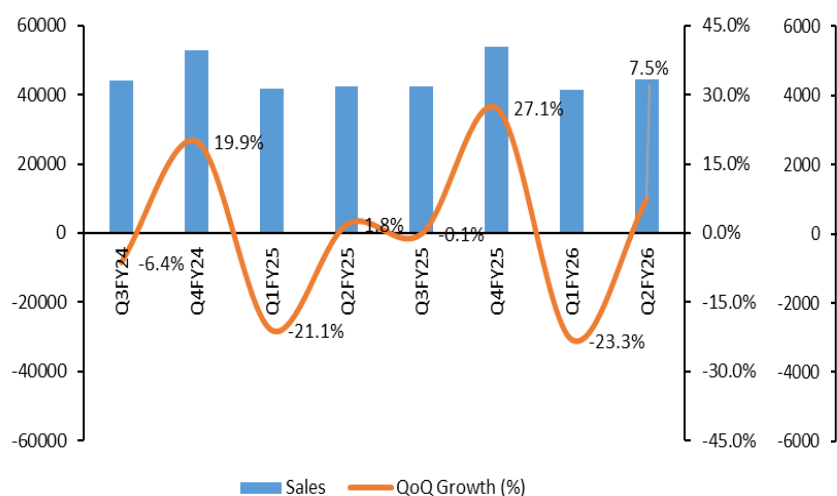
"In the medium-term, the company targets 5-8% from defence."

"Q3FY26 is expected to benefit from lower commodity costs vs. Q2FY26."

"The company is developing a biofuel product for their LCV segment to address market needs in the NCR region, Mumbai and Gujarat, with launch expected in the next 1-2 quarters."

Quarterly Snapshot

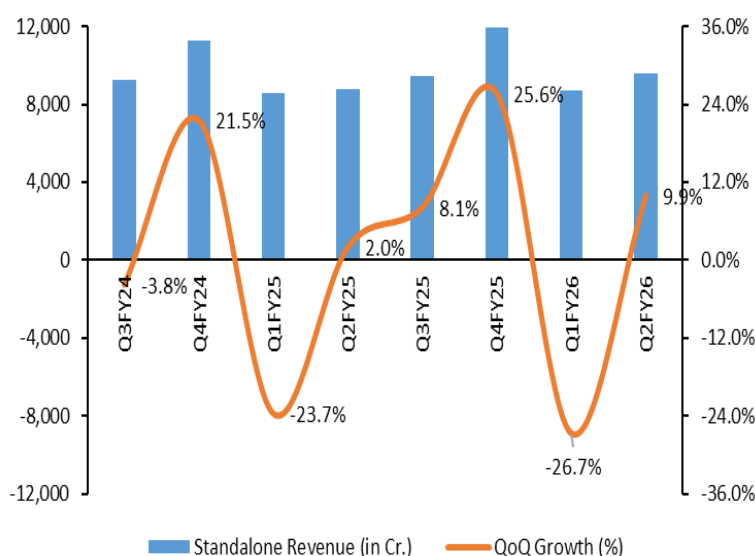
Volume Trend (Domestic)



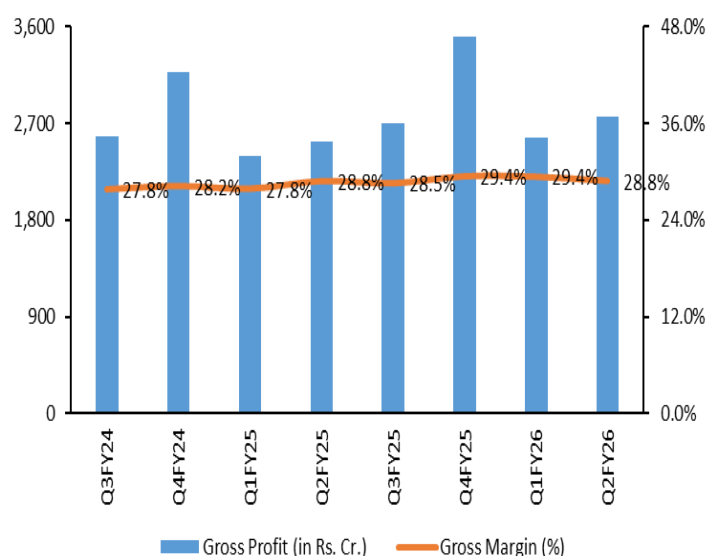
Volume Trend (Export)



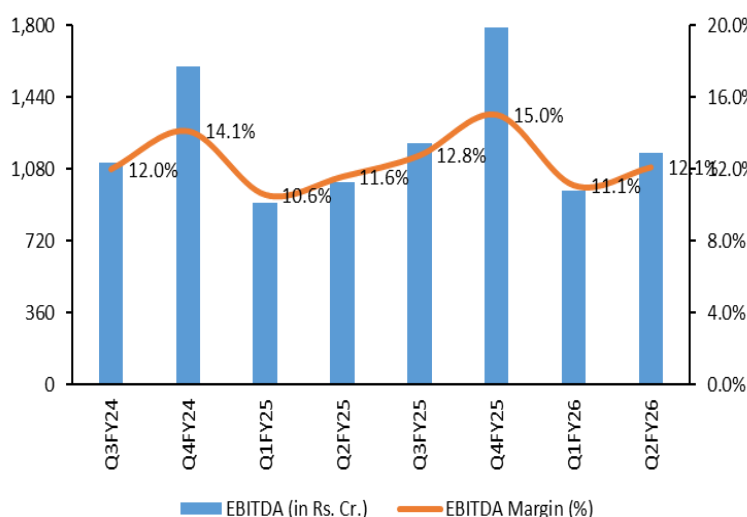
Revenue Trend



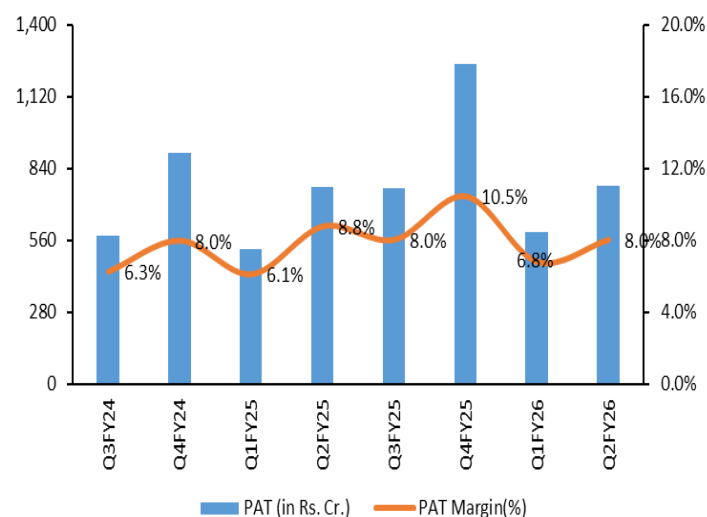
Gross Profit and Gross Margin



EBITDA and EBITDA Margin



PAT and PAT Margin



Source: Company, BP Equities

Key Financials						
YE March (Rs. Cr.)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	21,688	36,144	38,367	38,753	41,820	45,544
Revenue Growth (Y-o-Y)	41.7%	66.7%	6.2%	1.0%	7.9%	8.9%
EBITDA	995	2,931	4,607	4,931	5,402	6,044
EBITDA Growth (Y-o-Y)	86.0%	194.6%	57.2%	7.0%	9.5%	11.9%
Net Profit	542	1,380	2,618	3,303	3,590	4,015
Net Profit Growth (Y-o-Y)	NM	154.6%	89.7%	26.2%	8.7%	11.8%
Diluted EPS	0.9	2.4	4.5	5.6	6.1	6.8
Profitability Ratios						
EBIDTA (%)	4.6%	8.1%	12.0%	12.7%	12.9%	13.3%
NPM (%)	2.5%	3.8%	6.8%	8.5%	8.6%	8.8%
ROE (%)	7.4%	16.4%	29.7%	28.7%	28.1%	29.0%
ROCE (%)	2.2%	18.9%	35.1%	32.5%	33.6%	36.7%
Valuation Ratios						
P/E (x)	164.1x	64.3x	33.9x	26.9x	24.7x	22.1x
EV/EBITDA (x)	91.6x	31.2x	19.0x	17.9x	16.0x	14.1x
Market Cap/Sales (x)	4.1x	2.5x	2.3x	2.3x	2.1x	1.9x

Source: Company, BP Equities, Bloomberg

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6138
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001

BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591

BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392