

# Result Update

Q3 FY26

**Ashok Leyland Limited**

Institutional  
Research

## Robust demand drives performance; Sustainable upcycle underpins outlook

Ashok Leyland delivered a strong Q3FY26 performance, with standalone revenue at Rs. 11,534 crores, up 21.7% YoY and 20.3% QoQ, ahead of estimates of Rs. 11,283 crores, driven by robust recovery in the MHCV cycle post GST rate rationalization and broad-based growth across segments. Domestic MHCV volumes grew 23.4% YoY, outpacing industry growth of 21%, while LCV volumes rose 30% YoY, reflecting improving freight demand and early signs of a replacement cycle. Export volumes also increased 20% YoY, with double-digit growth across key home markets including GCC, Africa and SAARC. Gross margin declined 71 bps YoY to 27.8%, impacted by ~50 bps headwind from higher non-ferrous commodity prices (PGM, copper and aluminum) and an unfavorable mix skewed towards ICVs in the initial phase of the GST-led demand revival. EBITDA stood at Rs. 1,535 crores, up 26.7% YoY and 32.1% QoQ, with EBITDA margin expanding 53 bps YoY and 119 bps QoQ to 13.3%, supported by operating leverage and improved cost control, partly offset by gross margin compression. The company has also initiated discount rationalization and selective price recovery to offset commodity pressures. Reported PAT stood at Rs. 796 crores, up 4.5% YoY and 3.2% QoQ, despite a one-time charge of Rs. 308 crores related to the new labour code implementation. Excluding the exceptional impact, underlying profitability remained robust, with PBT before exceptional items growing 38% YoY.

## Valuation and Outlook

The company delivered a strong quarter marked by broad-based volume growth and continued market share gains, reinforcing confidence that the domestic CV cycle is gathering momentum. Growth was led by robust traction in MHCVs and LCVs following GST rationalization. Non-truck businesses such as Defense and Power Solutions also reported strong growth, supporting revenue diversification and margin stability. On profitability, while gross margins faced pressure from higher non-ferrous commodity costs and temporary mix skew toward ICVs, EBITDA margins improved supported by operating leverage, disciplined cost control and better contribution from high-margin segments. Management has initiated price recovery actions and discount rationalization to offset commodity inflation, and expects mix normalization as heavy-duty bulk demand strengthens. The management has indicated that initial the retail-led demand has now been complemented by bulk buyer participation. Improving freight availability, rising freight rates and an aging fleet profile suggest that the current recovery may be transitioning into a replacement-driven cycle rather than being purely tax-led. Looking ahead, near-term momentum appears strong with healthy order pipelines and positive sentiment across retail and fleet operators. FY27 could benefit from favorable base in the first half, though second-half growth may moderate due to higher comparatives. However, elevated fleet age and improving infrastructure activity provide structural support to demand over the medium term. With a strong balance sheet, healthy cash position and limited capacity constraints, the company appears well-positioned to capitalize on the evolving CV upcycle while maintaining profitability discipline.

## Key Highlights

Particulars (Rs. Cr.)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Net Sales	11,534	9,479	21.7%	9,588	20.3%
Gross profit	3,209	2,704	18.6%	2,764	16.1%
Gross margin (%)	27.8%	28.5%	-71 bps	28.8%	-101 bps
EBITDA	1,535	1,211	26.7%	1,162	32.1%
OPM (%)	13.3%	12.8%	53 bps	12.1%	119 bps
Reported PAT	796	762	4.5%	771	3.2%
PAT Margin (%)	6.9%	13.4%	-646 bps	15.0%	-810 bps

Source: Company, BP Equities Research

## Sector Outlook

Positive

## Stock

CMP (Rs.)	205
BSE code	500477
NSE Symbol	ASHOKLEY
Bloomberg	AL IN
Reuters	ASOK.BO

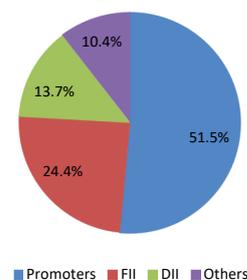
## Key Data

Nifty	25,471
52 Week H/L (Rs.)	215/96
O/s Shares (Cr)	587
Market Cap (Rs. Cr)	1,20,238
Face Value (Rs.)	1

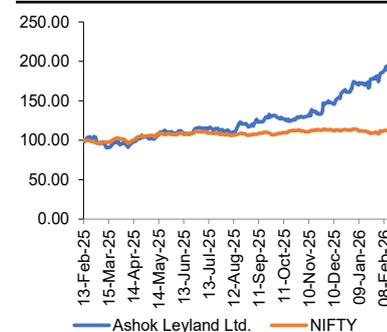
## Average Volume

3 months	19,966,861
6 months	18,446,347
1 year	13,114,094

## Share Holding Pattern (%)



## Relative Price Chart



## Research Analyst

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## Key Concall Highlights

### Cycle & Replacement Commentary

Management indicated that the GST reset has triggered a fresh replacement cycle, with early demand led by retail buyers and bulk fleet operators now advancing purchases.

*“Freight availability and freight rates have improved, supporting fleet operator profitability and purchase confidence.”*

While November and December demand was largely retail-led, January witnessed increasing participation from bulk fleet operators, with some advancing purchases for multiple quarters.

Average fleet age remains elevated at ~10 years, which management believes is structurally unsustainable and supportive of continued replacement demand.

January 2026 trends remain strong, reinforcing confidence in sustained momentum into FY27.

### Demand and Volume

In Q3FY26, the domestic MHCV industry grew 21% YoY, while Ashok Leyland outperformed with 23.4% YoY growth. Domestic MHCV truck volumes stood at 27,615 units and MHCV bus volumes at 5,314 units during the quarter.

*“The company has initiated discount rationalization and selective price recovery, achieving a partial price increase in January.”*

YTD FY26 domestic MHCV market share improved to 30.9%, reflecting a 60 bps YoY gain (excluding defense and EV buses).

Domestic LCV volumes grew 30% YoY to 20,518 units in Q3FY26, with VAHAN market share at 12.1%, up 70 bps YoY. YTD FY26 LCV market share stood at 12.7%, up 40 bps YoY.

Exports volumes increased 20% YoY to 4,965 units in Q3FY26, with broad-based growth across GCC, Africa and SAARC markets.

### Margins & Cost Commentary

Gross margin compression was attributed to a ~50 bps impact from higher non-ferrous commodity prices (PGM, copper, aluminum) and a temporary mix skew toward ICVs.

*“Strong pipeline of product launches planned over the next six months across MHCV and LCV segments.”*

Sequential margin improvement was supported by operating leverage and disciplined cost management.

Management expects mix normalization as heavy-duty bulk buying gains traction.

### Product & Portfolio Strategy

Launched HIPPO tractor and TAURUS tipper range in MHCV with higher power and torque, aimed at premiumization and improved TCO.

Introduced 4.1-tonne BADA DOST in LCV with best-in-class payload; expanded product coverage and load-span options.

Continued expansion in electric, CNG, LNG and hydrogen platforms to strengthen alternate fuel portfolio.

### Non-Truck & Subsidiary Update

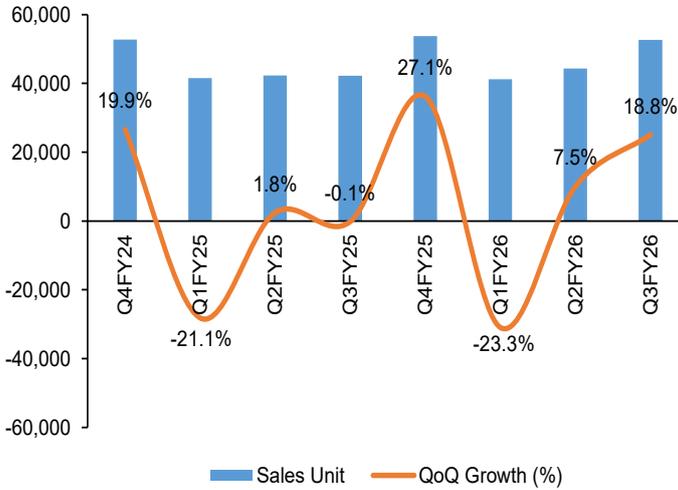
Defense revenue grew 84% YoY, and Power Solutions grew 45% YoY in Q3FY26.

Switch India reported positive EBITDA and PAT for the nine-month period, with a growing order book.

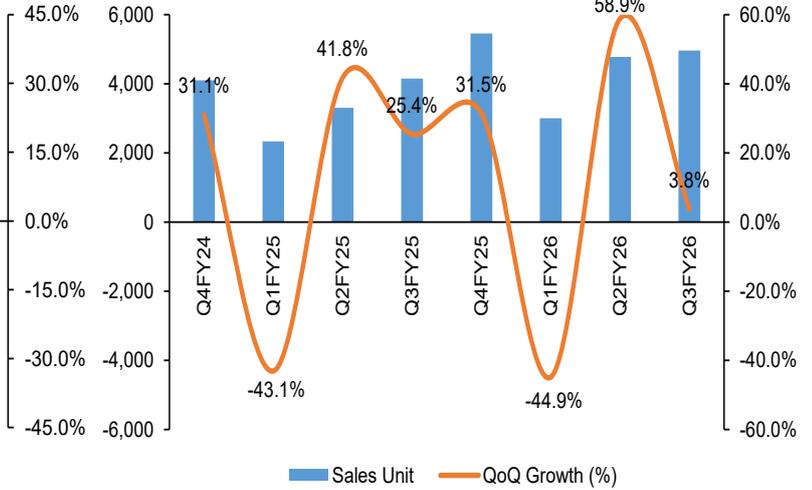
OHM (E-MaaS subsidiary) has over 1,400 buses in operation; total investment earmarked at Rs. 600 crores, with Rs. 300 crores already infused.

## Quarterly Snapshot

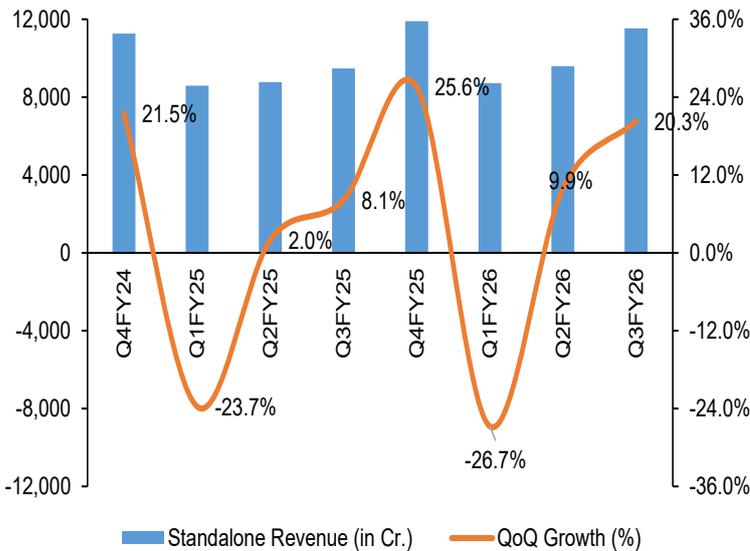
Improved affordability drives domestic volumes



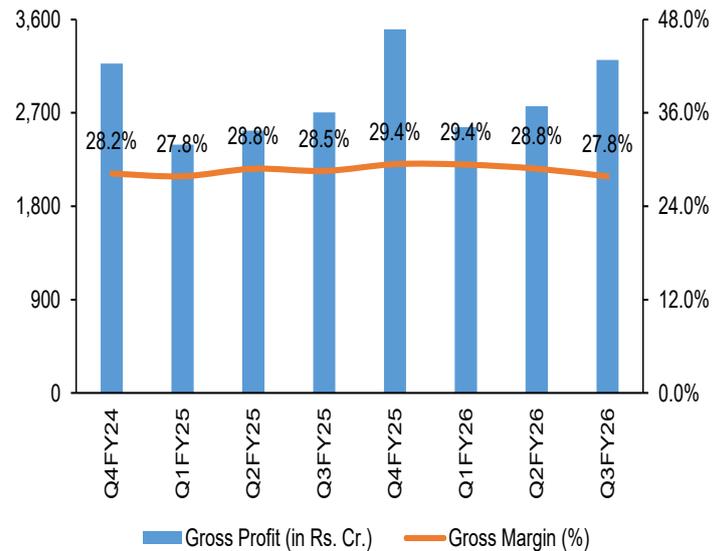
Export volumes stood healthy aided by broad-based growth



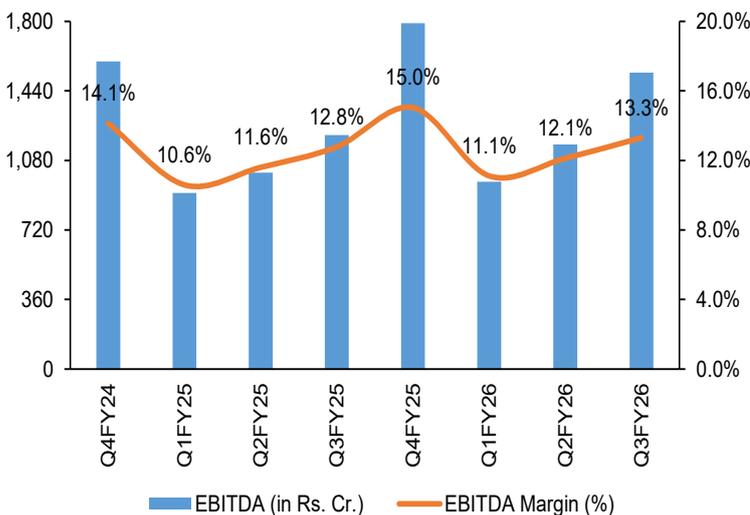
Robust volume growth drives revenue



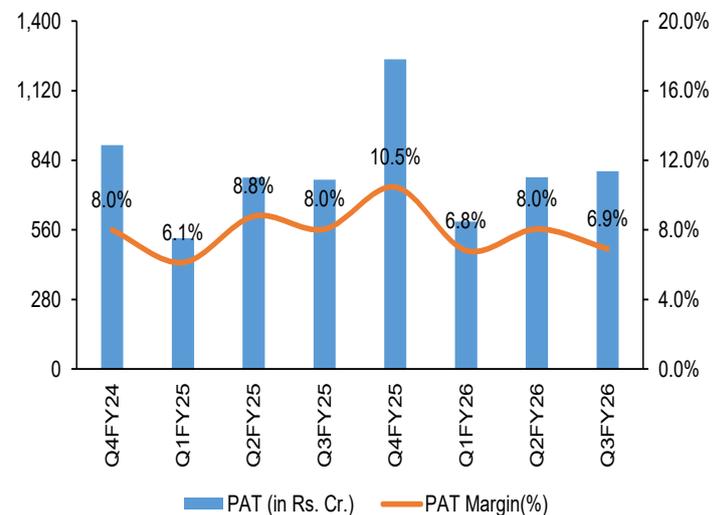
Gross margin impacted by commodity pressure and mix



Operating leverage drives strong EBITDA expansion



PAT growth impacted by one-off



Source: Company, BP Equities

## Key Financials

YE March (Rs. Cr.)	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Revenue</b>	<b>21,688</b>	<b>36,144</b>	<b>38,367</b>	<b>38,753</b>	<b>43,050</b>	<b>47,682</b>
<i>Revenue Growth (Y-o-Y)</i>	41.7%	66.7%	6.2%	1.0%	11.1%	10.8%
<b>EBITDA</b>	<b>989</b>	<b>2,931</b>	<b>4,607</b>	<b>4,931</b>	<b>5,596</b>	<b>6,431</b>
<i>EBITDA Growth (Y-o-Y)</i>	-11.7%	196.3%	57.2%	7.0%	13.5%	14.9%
<b>Net Profit</b>	<b>542</b>	<b>1,380</b>	<b>2,618</b>	<b>3,303</b>	<b>3,691</b>	<b>4,304</b>
<i>Net Profit Growth (Y-o-Y)</i>	-272.7%	154.7%	89.7%	26.2%	11.7%	16.6%
<b>Diluted EPS</b>	<b>0.9</b>	<b>2.3</b>	<b>4.5</b>	<b>5.6</b>	<b>6.3</b>	<b>7.3</b>

## Profitability Ratios

<b>EBITDA (%)</b>	<b>4.6%</b>	<b>8.1%</b>	<b>12.0%</b>	<b>12.7%</b>	<b>13.0%</b>	<b>13.5%</b>
<b>NPM (%)</b>	2.5%	3.8%	6.8%	8.5%	8.6%	9.0%
<b>ROE (%)</b>	<b>7.4%</b>	<b>16.4%</b>	<b>29.7%</b>	<b>28.7%</b>	<b>28.1%</b>	<b>28.5%</b>
<b>ROCE (%)</b>	2.2%	19.1%	33.6%	29.9%	30.6%	31.4%

## Valuation Ratios

<b>P/E (x)</b>	<b>221.9x</b>	<b>87.1x</b>	<b>45.9x</b>	<b>36.4x</b>	<b>32.6x</b>	<b>27.9x</b>
<b>EV/EBITDA (x)</b>	16.4x	14.3x	13.6x	10.4x	9.1x	8.0x
<b>Market Cap/Sales (x)</b>	<b>5.7x</b>	<b>3.4x</b>	<b>3.2x</b>	<b>3.2x</b>	<b>2.8x</b>	<b>2.5x</b>

Source: Company, BP Equities, Bloomberg Estimates

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