BP Wealth | STOXBOX

# Result Update

## Q1 FY27

**Ashok Leyland Limited**

Institutional Research

# Ashok Leyland Limited

BP WEALTH

**Automobile | Q1FY27 Result Update** — **18th August 2026**

## Strong domestic demand sustains momentum; Commodity headwinds temper profitability

Ashok Leyland reported record revenue of Rs. 9,634 crores during Q1FY27 (up 10.4% YoY / down 32.0% QoQ), primarily driven by strong domestic CV volumes, with MHCV truck volumes increasing 15% YoY and LCV volumes rising 21% YoY, along with robust growth in non-CV businesses such as aftermarket, Power Solutions, and defence. The performance remained marginally below street estimates. Gross Profit stood at Rs. 2,742 crores (up 7.0% YoY / down 32.4% QoQ), with gross margin declining to 28.5% (down 90 bps YoY / down 18 bps QoQ). The moderation was primarily due to higher material costs amid commodity pressures and supply chain disruptions, partly offset by better price realization, cost-saving initiatives, product and business mix improvement, and inventory benefits. EBITDA stood at Rs. 970 crores, flat YoY and down 53.1% QoQ, while EBITDA margin declined to 10.1% (down 105 bps YoY / down 452 bps QoQ). PAT stood at Rs. 609 crores (up 2.6% YoY / down 56.6% QoQ), with PAT margin declining to 6.3% (down 48 bps YoY / down 360 bps QoQ). Domestic CV volumes remained strong, with total Q1FY27 CV volumes reaching a record 48,673 units, while exports declined 18% YoY to 2,461 units due to logistical challenges in the GCC markets.

### Valuation and Outlook

Ashok Leyland delivered a strong operational performance in Q1FY27, with revenue growth supported by robust domestic CV volumes and healthy growth across non-CV businesses. However, profitability remained under pressure, with EBITDA flat YoY and margins declining 105 bps to 10.1%, primarily due to elevated commodity costs and supply chain disruptions. The impact was partly mitigated through price increases, cost-saving initiatives, favourable product and business mix, and inventory-related cost deferral. Importantly, the inventory benefit is largely a timing impact, with some commodity and overhead costs deferred into inventory expected to flow through the P&L as vehicles are sold, although management indicated that the subsequent impact should not be significant. Going forward, domestic CV demand remains encouraging, with management expecting high-single-digit MHCV industry growth for FY27 and slightly better growth in LCVs. The improving product mix through higher-horsepower products such as HIPPO and TAURUS, further price increases, cost-saving initiatives and stronger contribution from Defence and Power Solutions should help mitigate margin pressure. The company's new product pipeline, expanding service network and strong Defence and electric bus order books further support the medium-term growth outlook. That said, elevated commodity prices remain the key near-term risk, with management expecting Q2FY27 to remain challenging and meaningful improvement only from Q3/Q4FY27. Export normalization, particularly in the GCC, will also be important for the overall growth trajectory. Overall, we remain cautiously constructive on Ashok Leyland, supported by strong domestic CV momentum, favourable replacement demand and improving product mix, while margin recovery remains a key monitorable over the next few quarters.

### Key Highlights

| Particulars (Rs. Cr.) | Q1FY27 | Q1FY26 | YoY (%) | Q4FY26 | QoQ (%) |
|---|---|---|---|---|---|
| Net Sales | 9,634 | 8,725 | 10.4% | 14,160 | -32.0% |
| Gross profit | 2,742 | 2,562 | 7.0% | 4,055 | -32.4% |
| Gross margin (%) | 28.5% | 29.4% | -90 bps | 28.6% | -18 bps |
| EBITDA | 970 | 970 | 0.0% | 2,066 | -53.1% |
| OPM (%) | 10.1% | 11.1% | -105 bps | 14.6% | -452 bps |
| Reported PAT | 609 | 594 | 2.6% | 1,405 | -56.6% |
| PAT Margin (%) | 6.3% | 6.8% | -48 bps | 9.9% | -360 bps |

*Source: Company, BP Equities Research*

| Sector Outlook | Positive |
|---|---|

**Stock**

| | |
|---|---|
| CMP (Rs.) | 177 |
| BSE code | 500477 |
| NSE Symbol | ASHOKLEY |
| Bloomberg | AL IN |
| Reuters | ASOK.BO |

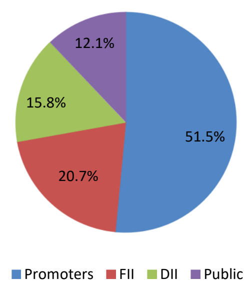
**Key Data**

| | |
|---|---|
| Nifty | 24,288 |
| 52 Week H/L (Rs,) | 215/126 |
| O/s Shares (Cr) | 587 |
| Market Cap (Rs. Cr) | 1,04,026 |
| Face Value (Rs.) | 1 |

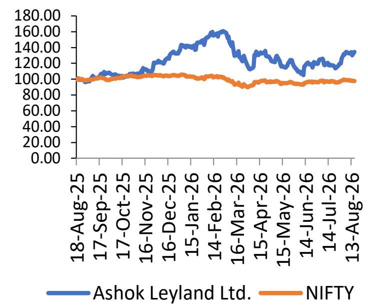
**Average Volume**

| | |
|---|---|
| 3 months | 2,69,27,191 |
| 6 months | 2,60,04,145 |
| 1 year | 2,21,66,423 |

**Share Holding Pattern (%)**




**Relative Price Chart**

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## Key Concall Highlights

### Demand Momentum

Domestic MHCV industry volumes grew 13% YoY in Q1, while LCV Vahan volumes increased 17%. Ashok Leyland's MHCV truck and LCV volumes grew 15% and 21% YoY, respectively.

Management highlighted strong recovery in June and July, with MHCV industry growth exceeding 20% in both months. It expects MHCV industry growth in the high-single-digit range for FY27, with LCV growth slightly better.

### RM Commentary

Commodity costs are expected to remain a key headwind in Q2FY27, with the impact potentially higher than Q1FY27.

Management expects commodity pressures to peak in Q2FY27, followed by some softening in Q3FY27 and a more meaningful improvement in Q4FY27. Cost savings, product and business mix and pricing actions will remain the key mitigation levers.

*"The company took price hikes of more than 1% for MHCV and more than 2% for LCV in July."*

### Pricing

Cumulatively, price increases since the beginning of FY27 stand at around 2.25% for MHCV and over 3.5% for LCV. Further price increases and discount optimization are being considered.

### Inventory

Opening inventory helped shield Q1 margins from the full impact of higher commodity costs. Vehicle inventory increased from around 6,000 units at the beginning of the quarter to 8,000 units at quarter-end, with some commodity and overhead costs capitalized into inventory.

Management expects the subsequent P&L impact to remain manageable as these vehicles are sold.

### LCV Outlook

LCV market share stood at 13.2%, up 30 bps YoY. Management is shifting focus toward the entire LCV market rather than the historical 2-3.5 tonne segment, with the company currently participating in around 50% of the overall LCV market.

*New products are in the pipeline to address the remaining segments.*

### Bus Strategy

Bus volumes declined as the company chose not to participate in certain unprofitable STU tenders. Management reiterated its focus on profitability over market share in the heavy-duty bus segment, while targeting market share gains in medium-sized buses, where its share has increased from around 15% to nearly 25% over the past 3-4 years.

*"The new air suspension technology for multi-axle trucks is seeing strong customer reception, with management highlighting its higher payload and better TCO."*

### Exports

Exports declined 18% YoY to 2,461 units due to disruptions at the Ras Al Khaimah plant, impacting GCC volumes.

Management expects GCC volumes to recover as operations normalize, while SAARC and Africa continued to grow strongly. The company is also expediting its new Saudi plant to address strong GCC demand.

### Diversification

Management aims to reduce dependence on the cyclical MHCV business through growth in Defence, aftermarket, EVs and Power Solutions. The domestic MHCV breakeven volume has declined from around 6,000-7,000 units per month three-four years ago to approximately 1,000-1,500 units currently.

*"HIPPO tractors and TAURUS tippers are also gaining traction, with several new products planned for the remainder of FY27."*

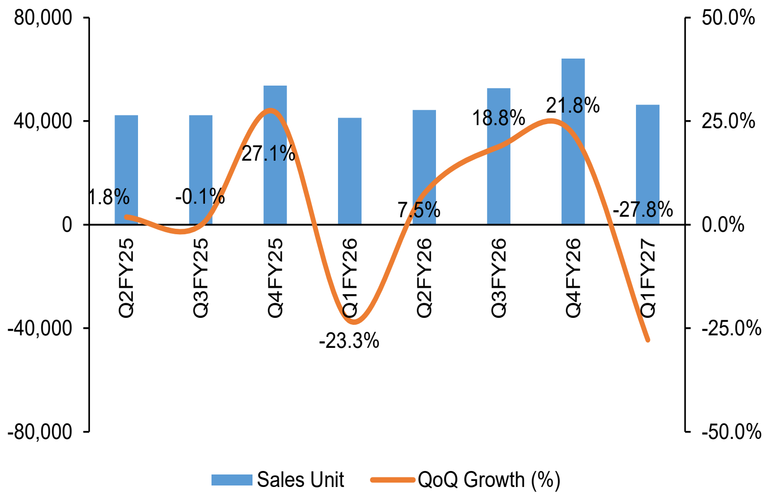
### CapEx

Q1FY27 CapEx stood at Rs. 153 crores, focused on new products, future technologies, alternate powertrains and EVs.

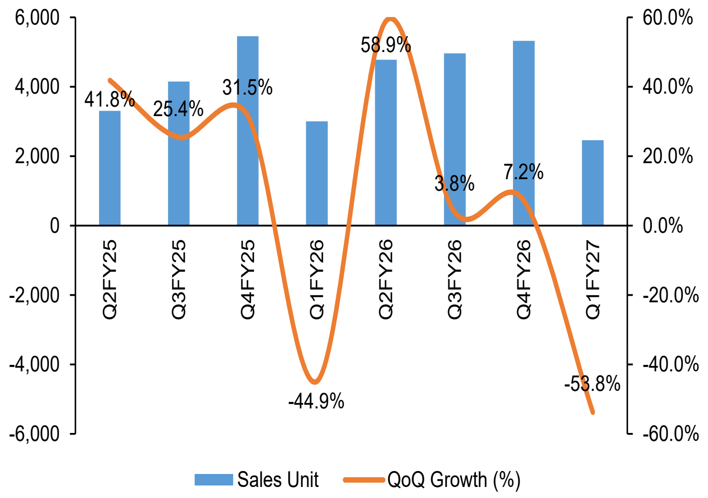
Annual CapEx has increased from the earlier Rs. 400-500 crores range to around Rs. 900-1,000 crores and is expected to increase further over the next 2-3 years.

## Quarterly Snapshot

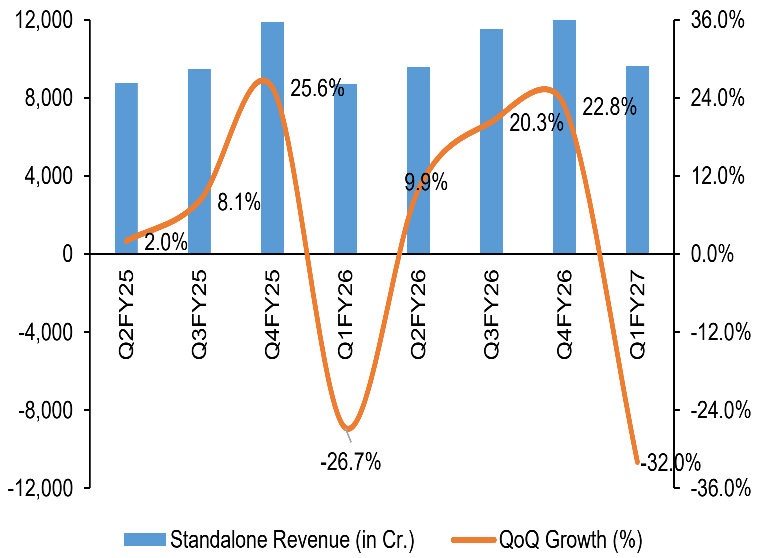
**Domestic volumes show normalization post strong Q4FY26**



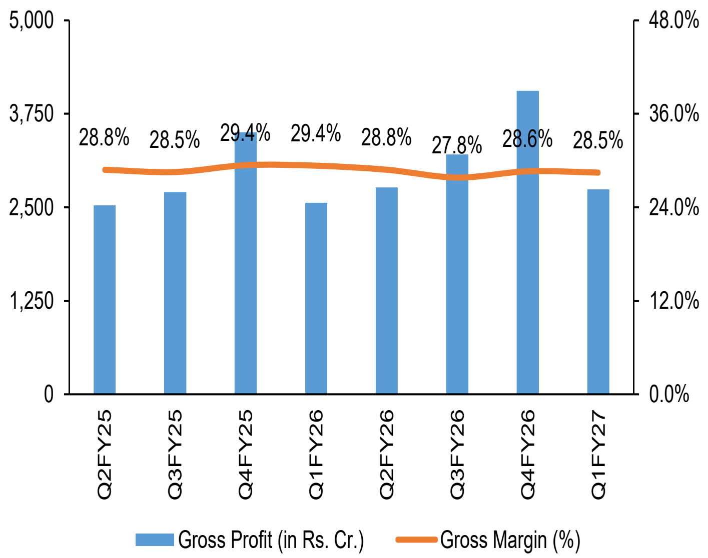

**Exports stand subdued as GCC market remain volatile**



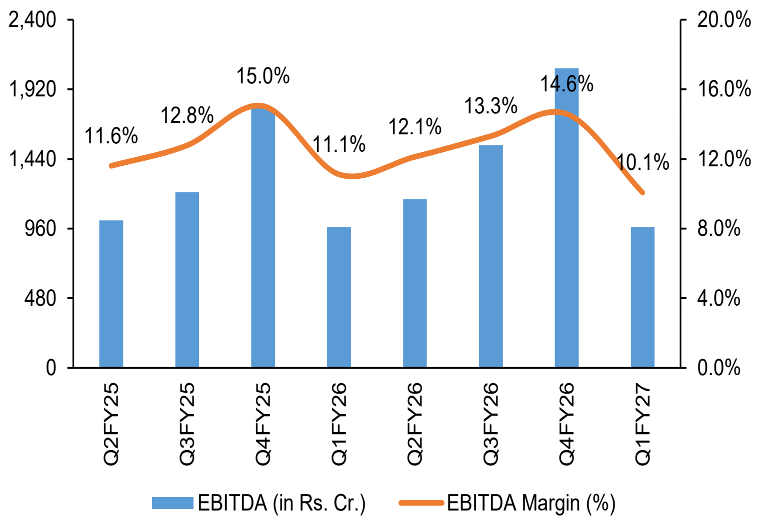

**Revenue normalizes post Q4 peak; remains above YoY levels**



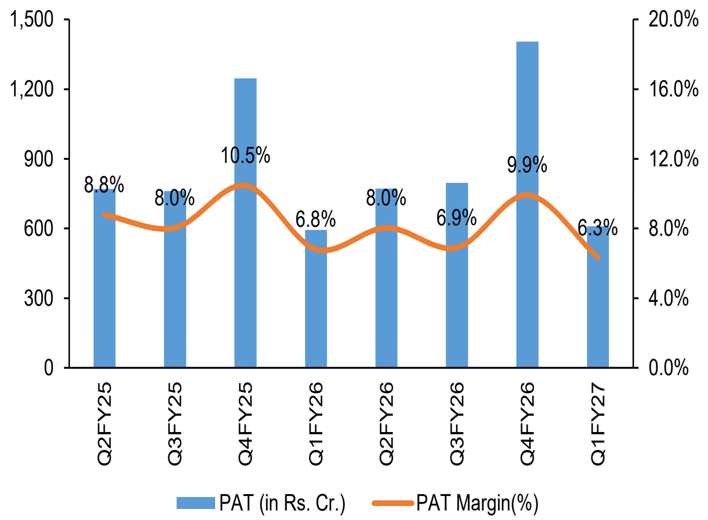

**Gross margins remain resilient despite commodity pressures**




**OPM under pressure as RM inflation weighs**




**PAT margins moderate sharply as profitability lowers**




*Source: Company, BP Equities*

| Key Financials | | | | | | |
|---|---|---|---|---|---|---|
| **YE March (Rs. Cr.)** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** |
| **Revenue** | **36,144** | **38,367** | **38,753** | **44,007** | **48,290** | **52,910** |
| *Revenue Growth (Y-o-Y)* | *66.7%* | *6.2%* | *1.0%* | *13.6%* | *9.7%* | *9.6%* |
| **EBITDA** | **2,931** | **4,607** | **4,931** | **5,732** | **6,035** | **7,049** |
| *EBITDA Growth (Y-o-Y)* | *196.3%* | *57.2%* | *7.0%* | *16.3%* | *5.3%* | *16.8%* |
| **Net Profit** | **1,380** | **2,618** | **3,303** | **3,566** | **4,071** | **4,828** |
| *Net Profit Growth (Y-o-Y)* | *154.7%* | *89.7%* | *26.2%* | *7.9%* | *14.2%* | *18.6%* |
| **Diluted EPS** | **2.3** | **4.5** | **5.6** | **6.1** | **6.9** | **8.2** |
| **Profitability Ratios** | | | | | | |
| **EBITDA (%)** | **8.1%** | **12.0%** | **12.7%** | **13.0%** | **12.5%** | **13.3%** |
| NPM (%) | 3.8% | 6.8% | 8.5% | 8.1% | 8.4% | 9.1% |
| **ROE (%)** | **16.4%** | **29.7%** | **28.7%** | **27.4%** | **27.6%** | **28.5%** |
| ROCE (%) | 20.0% | 36.8% | 32.5% | 35.3% | 32.8% | 34.4% |
| **Valuation Ratios** | | | | | | |
| **P/E (x)** | **75.4x** | **39.7x** | **31.5x** | **29.2x** | **25.6x** | **21.5x** |
| EV/EBITDA (x) | **12.3x** | **11.8x** | **9.0x** | **8.0x** | **7.1x** | **6.1x** |
| **Market Cap/Sales (x)** | 3.4x | 3.2x | 3.2x | 2.4x | 2.2x | 2.0x |

*Source: Company, BP Equities, Bloomberg Estimates*

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