

ASHOK LEYLAND LTD.

Sector

JUN 24, 2024

Automobile & Ancillaries

Buy at CMP: Rs 235 | Target: Rs 273 (16%) | SL: Rs 218

Ashok Leyland Limited: India's top producer of commercial vehicles (1T to 55T trucks, 9 to 80-seater buses) and specialized engines. Offers complete aftermarket solutions including maintenance contracts, insurance, and telematics.

Investment Rationale

- ◆ **Healthy market share in domestic CV industry continue earning momentum in Ashok Leyland:** Ashok Leyland is the second-largest player in India's M&HC market, holding a 31.7% share in Q1 FY2024. Over the last decade, ALL expanded from a southern-focused company to a pan-India presence. The company saw significant M&HCV volume growth in FY2023 and Q1 FY2024 due to an enhanced product range, better product acceptance, and a revamped dealership network. LCV market share rose to 11.7% in Q1 FY2024 from 9.1% in FY2019, driven by increased demand from e-commerce, agriculture, and the popularity of its 'Dost' and 'Bada Dost' models. The bus segment also grew with the reopening of schools, colleges, and offices, alongside higher orders from State Road Transport Undertakings (SRTUs), a trend expected to continue.
- ◆ **Feature growth in Ashok Leyland is expected to be fueled by a robust order pipeline and the upcoming launch:** Ashok Leyland is poised for robust growth with a substantial order book of 1,500 e-buses, including major orders for Delhi and Bangalore. The company is scaling up production to meet this demand and has launched electric light commercial vehicles (eLCVs) that have garnered significant interest from e-commerce and logistics firms. The upcoming leV3 model is expected to further boost demand. Ashok Leyland's strategic expansion into high-demand EV markets, with multiple new model launches including a 14T ICV and a 55T tractor-trailer, underscores its potential for strong growth and profitability. The company has started deliveries of E-LCVs, is developing E1 buses for Europe, and maintains a positive EBITDA for Switch India. This makes Ashok Leyland a compelling investment opportunity in the EV segment.
- ◆ **Ashok Leyland's FY25 investment shift; Spotlight on Switch for electric vehicle future:** Ashok Leyland plans to invest between Rs. 500 to Rs. 700 crores in FY25, aligning with last year's spending of Rs. 500 crores. The focus is on Switch, their electric vehicle subsidiary, with reduced emphasis on OHM. They are evaluating manufacturing setup for future growth, considering expanding existing facilities or establishing new ones, taking inspiration from their adaptable Lucknow plant that can produce both electric and conventional vehicles on a single line.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 10%/14% and estimate ALL to clock PAT of Rs 3,657 Cr by FY27E. ALL is trading at forward PE (x) of 17.2 and we value at 20(x) FY27E and Recommend BUY on ALL with Target Price of Rs. 273(16%) .

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	45,791	7,943	2,484	27.9	12.7
FY25E	50,370	7,555	3,022	22.9	2.3
FY26E	55,407	8,311	3,324	20.8	2.1
FY27E	60,947	9,142	3,657	18.9	1.9

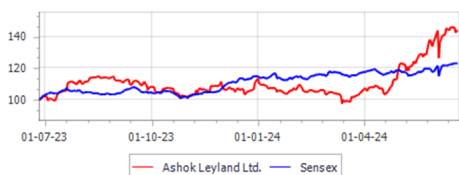
Source: Company Data, Ace Equity, GEPL Research

Script Details

BSE Group	A
BSE Code	500477
NSE Code	ASHOKLEY
Bloomberg Code	AL IN
Market Cap (INR Cr.)	69,182
Free Float (%)	48.9%
52wk Low/High	243/158
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/2.1
Total paid Up Shares (Mn.)	2936.4

Share Holding Pattern (%)

Promoters	Public	Others
51.1%	48.9%	-

Share Price Relative Performance

TECHNICAL VIEW

Observation

- The price structure of ASHOKLEY appears robust, currently trading near its all-time high, showcasing bullish price stability. On the monthly scale, it has formed a long-legged doji candlestick, indicating the weekly scale, the stock has shown an interesting price development. Since March 2024, ASHOKLEY has been rising steadily after reversing from the polarity level of a multi-year-swing high connected from 2018, signaling a regime shift to bullish territory. Additionally, after encountering this polarity, the significant buying interest.
- On stock broke out of the rising channel, reinforcing the continuation of its upward trajectory.
- The stock is well-sustained above the key 13-week and 26-week EMAs, with the MACD indicator trending higher in positive territory, denoting a bullish trend backed by strong momentum.
- The ratio chart of ASHOKLEY against NIFTY denotes a breakout of the multi-year swing high, qualifying the stock as an outperformer.



- Inference & Expectations
- Considering these factors, it can be inferred that ASHOKLEY stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 273 level.
- The stop loss must be at 218 level, strictly on the closing basis.

Invest Now ➡➡



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