PICK OF THE WEEK

4th July, 2026

Ashok Leyland Ltd

Sector: Automobile

BUY

CMP	Target Price	Upside
164	180	10%

CMP as on 3rd July, 2026 | Time horizon: 6-9 Months

Why Ashok Leyland Ltd.

- Outperforming Industry Trends
- EV Growth Engine
- Strong Export Momentum

About the Company

Ashok Leyland Ltd is one of India's leading commercial vehicle manufacturers, offering a full range of trucks, buses, light vehicles, and defence mobility solutions. With a strong focus on innovation and technology, the company designs and manufactures reliable, efficient, and sustainable mobility solutions catering to both domestic and international markets.

Investment Rationale

A. Premiumization & Product Refresh to Drive Market Share Gains

- Ashok Leyland continued strengthening its premium and higher horsepower portfolio during FY26 with the launch of Hippo tractors and Taurus tippers featuring industry-leading power, torque and superior Total Cost of Ownership (TCO). Management highlighted that the newly launched higher-horsepower tractors and tippers are expected to support market share gains in the tipper and tractor-trailer segments from Q2FY27 onwards, aided by strong customer response and improved product competitiveness.

B. Distribution Expansion & Strengthening Pan-India Presence

- Ashok Leyland further expanded its nationwide distribution reach during FY26 by adding over 100 touchpoints each across MHCV and LCV businesses, taking the total network footprint to 2,104 touchpoints. Nearly 45% of the new additions were concentrated in North and Northeast India, reinforcing the company's continued transition into a truly national CV player.

C. Demand Outlook Remains Resilient Despite Macro Uncertainty

- Management expects mining, infrastructure, tippers and multi-axle vehicle segments to outperform in FY27, while acknowledging some moderation in ICV and LCV growth compared to the exceptionally strong Q4FY26 base. Additionally, fleet operators continue to maintain ambitious expansion and replacement plans, supporting confidence in medium-term CV demand resilience. The company highlighted that replacement demand remains structurally strong due to ageing fleet profiles and improved fleet economics post GST rationalisation.

Outlook & Valuation

- We remain positive on the long-term prospects of AL, supported by resilient replacement demand, improving traction in higher horsepower MHCVs, continued LCV market share gains and strong growth visibility across exports, defence and EV businesses. We therefore arrive at sustainable long-term volume guidance of 6% CAGR over FY26-28E, driven by export volume growth. We estimate AL to post revenue/EBITDA/PAT growth of 7%/11%/11% CAGR over FY26-28E, aided by richer product mix, operating leverage and increasing contribution from defence, aftermarket, power solutions and electric mobility businesses.

Analyst Insights

We recommend a **BUY** on the stock with a TP of Rs 180, implying an upside of 10% from the CMP.

Research Analyst

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Financial Summary

	FY26A	FY27E	FY28E
Net Sales (Rs Cr)	44,007	47,428	50,233
EBITDA (Rs Cr)	5,732	6,449	7,114
Net Profit (Rs Cr)	3,824	4,184	4,731
EPS (Rs)	6.1	7.1	8.1
PER (x)	23.0	23.0	20.4
EV/EBITDA (x)	15.0	14.5	12.7
P/BV (x)	6.7	6.0	4.9
RoE (%)	29.6	27.5	25.6

Market Data

No. of Shares	**587 Cr**
Market Cap (Rs Cr)	96,413
52-week High	215
52-week Low	115
PER(x)	25.8
BSE Code	500477
NSE Code	ASHOKLEY

Source: Ace Equity, Axis Securities Research

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HOLD	Between 10% and -10%
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