



Ashok Leyland

Relative to sector: **Underperformer**

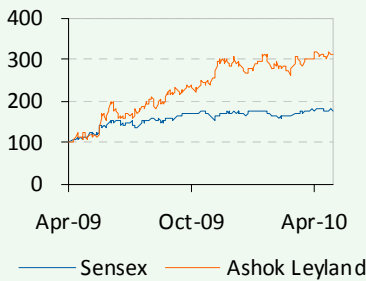
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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

| | |
|------------------------|-----------------|
| No. of shares | : 1,330mn |
| Market cap | : Rs 80 bn |
| 52 week high/low | : Rs 60/ Rs 20 |
| Avg. daily vol. (6mth) | : 4.8 mn shares |
| Bloomberg code | : AL IB |
| Reuters code | : ASOK.BO |

Shareholding (%) Mar-10 QoQ chg

| | | |
|-------------|--------|-------|
| Promoters | : 38.6 | 0.0 |
| FIs | : 12.6 | (0.1) |
| MFs / UTI | : 6.4 | 0.9 |
| Banks / FIs | : 13.5 | (0.3) |
| Others | : 28.8 | (0.5) |

Financial summary

| Y/E Mar | Sales (Rs mn) | EBITDA (Rs mn) | Adj. PAT (Rs mn) | EPS (Rs.) | Change YoY (%) | P/E* (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|---------|------------------|-------------------|---------------------|--------------|-------------------|-------------|------------|-------------|------------------|
| FY09 | 59,811 | 4,694 | 1,818 | 1.4 | (59) | - | 6.5 | 6.9 | - |
| FY10 | 72,447 | 7,628 | 3,755 | 2.8 | 106 | - | 10.5 | 7.7 | - |
| FY11E | 96,597 | 10,041 | 5,361 | 4.0 | 43 | 13.4 | 14.1 | 9.8 | 10.3 |
| FY12E | 112,171 | 12,214 | 6,532 | 4.9 | 22 | 11.0 | 16.0 | 10.7 | 9.0 |

Source: Company ENAM estimates. *Note: P/E is adjusted for VOI of Rs 6/share

STRONG VOLUMES DRIVE PROFITABILITY

Ashok Leyland’s (ALL) Q4FY10 operating performance continued to be healthy with an EBITDA margin expansion of 152 bps QoQ to 12.9% (vs. 8% in Q4FY09). The co. reported revenue of Rs 29 bn (↑ 62% QoQ & 141% YoY), EBITDA of Rs 3.8 bn (↑ 83% QoQ & 291% YoY) and adj. PAT of Rs 2.2 bn (↑ 111% QoQ & 579% YoY).

Key Highlights

- ALL’s volumes increased by 60% QoQ to 25,807 units (↑ 139% YoY). The continued traction in goods segment volumes helped ALL to enhance its market share to 24.5% in Q4 (vs. 18.5% in Q3 and 14.8% in Q4FY09). **The mgmt expects this volume off-take to remain strong with a 30% growth to ~85,000 units in FY11E. The YoY growth rate is high on a low base-effect in H1FY10.**
- Ashok Leyland’s Pantnagar facility has commenced operations in Mar’10 resulting in a higher depreciation and interest charges for Q4. This facility is expected to produce ~20,000 units in FY11E.
- **Capex:** The co. plans to spend ~Rs 12 bn over two years in its standalone entity and Rs 8 bn towards its joint ventures (Nissan for LCV and John Deere for construction equipments) and setting up of its financing arm. Net debt stood at ~Rs 18 bn as of Mar’10.
- ALL has effected a price increase of 10% in FY10 and another 1.5% in Apr’10 due to increasing commodity costs. ALL expects to increase prices further (by ~3-4%) to meet the BS3 changes.

Increasing costs to off-set volume benefits going ahead

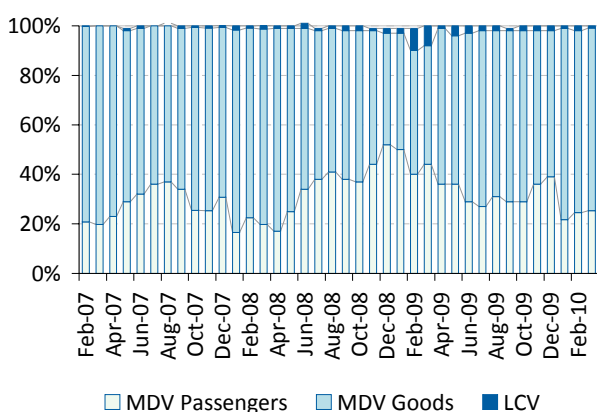
Given the continued strong up-tick in CV sales, ALL’s expected volume growth rate of 30% is likely to be met. However, increasing costs would offset the operating leverage for the co. We have upgraded our FY11E and FY12E EPS estimates, but strongly believe that the CMP factors in the near term positives. We maintain our sector **Underperformer** rating with a revised TP of Rs 57 (7.5x FY12E EV/EBITDA + Rs 6/ share for new businesses valued at 1x BV).

Results update

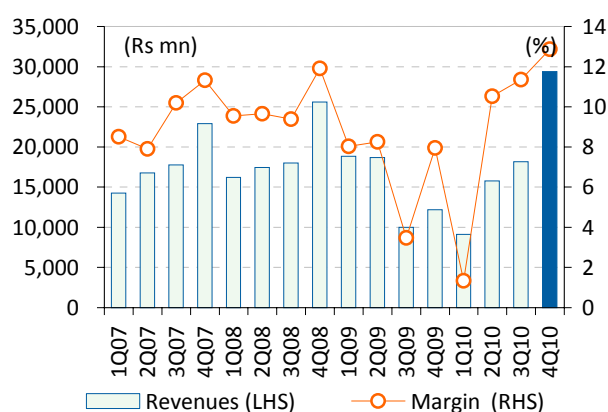
| (Rs mn) | Quarter ended | | | | | 12 months ended | | |
|-------------------------------|---------------|--------|-------|--------|-------|-----------------|--------|-------|
| | Mar-10 | Mar-09 | % Chg | Dec-09 | % Chg | Mar-11E | Mar-10 | % Chg |
| Net Sales | 29,390 | 12,181 | 141 | 18,155 | 62 | 96,597 | 72,447 | 33.3 |
| EBITDA | 3,784 | 968 | 291 | 2,062 | 83 | 10,041 | 7,628 | 31.6 |
| Other income | 23 | 71 | (67) | 20 | 18 | 208 | 189 | 10.0 |
| PBIDT | 3,807 | 1,039 | 266 | 2,082 | 83 | 10,249 | 7,818 | 31.1 |
| Depreciation | 588 | 480 | 22 | 513 | 15 | 2,647 | 2,041 | 29.7 |
| Interest | 221 | 440 | (50) | 162 | 36 | 983 | 811 | 21.2 |
| PBT | 2,998 | 119 | - | 1,407 | 113 | 6,619 | 4,966 | 33.3 |
| Tax | 768 | (210) | - | 351 | 119 | 1,258 | 1,211 | 3.9 |
| Adjusted PAT | 2,231 | 329 | - | 1,056 | 111 | 5,361 | 3,755 | 42.8 |
| Extra ordinary income/ (exp.) | (4) | 25 | (116) | (10) | (60) | - | 482 | - |
| Forex Loss / (Gain) | - | 180 | - | - | - | - | - | - |
| Reported PAT | 2,227 | 533 | 318 | 1,046 | 113 | 5,361 | 4,237 | 26.5 |
| No. of shares (mn) | 1,330 | 1,330 | - | 1,330 | - | 1,330 | 1,330 | - |
| EBITDA margin (%) | 12.87 | 7.9 | - | 11.4 | - | 10.4 | 10.5 | - |
| PBIDT margin (%) | 13.0 | 8.5 | - | 11.5 | - | 10.6 | 10.8 | - |
| EPS - annualized (Rs.) | 6.7 | 1.0 | - | 3.2 | - | 4.0 | 2.8 | - |

Source: Company, ENAM Research

ALL: Sales break-up (% of total sales)

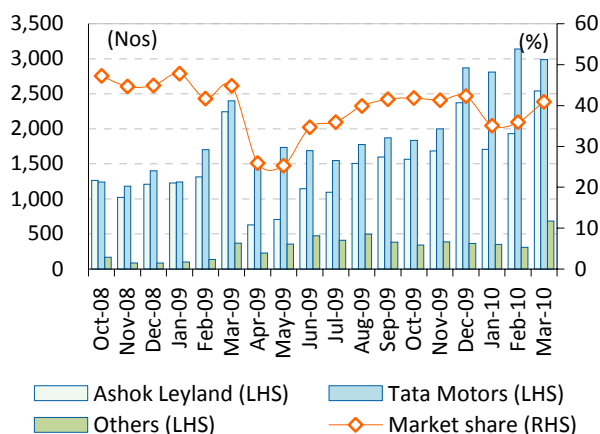


ALL: Revenue & margin trend

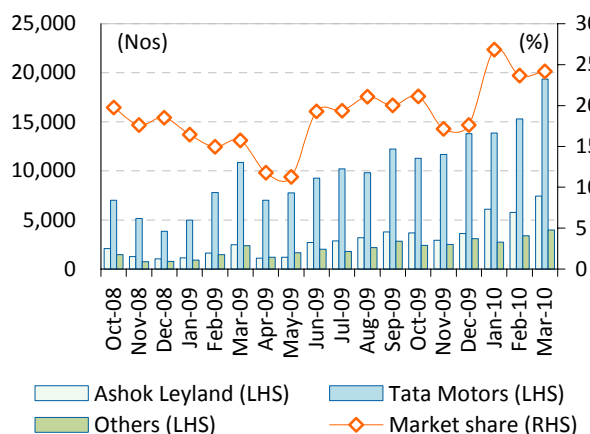


Source: Company, Industry, ENAM Research

Passenger Vehicles: Volumes and market share

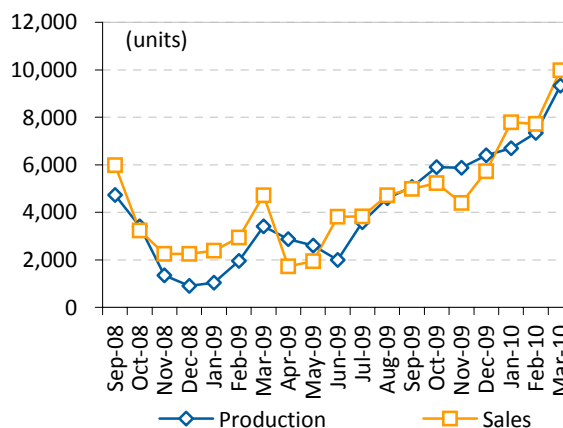


Goods vehicles: Volumes and market share



Source: Company, Industry, ENAM Research

ALL: M&HCV Inventory trend



Source: SIAM, ENAM Research

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