

**CMP : Rs.51**
**STOCK INFO**

BSE	500477
NSE	ASHOKLEY
Bloomberg	AL:IN
Reuters	ASOK.BO
Sector	Automobiles
Face Value (Re)	1
Equity Capital (Rs Mn)	133.03
Mkt Cap (Rs Mn)	67,440
52w H/L (Rs)	81.90/45.05
Avg Daily Vol (BSE+NSE)	5,282,445

**SHAREHOLDING PATTERN**
**%**

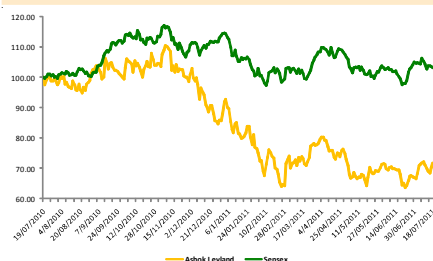
(as on 30th June 2011)

Institutions	30.11
Others, Incl Public	31.28
Promoters	38.61

**STOCK PERFORMANCE (%) 1m 3m 12m**

ASHOK LEYLAND	6	(2.6)	(28.3)
SENSEX	4	(3.1)	3.2

Source: Capitaline

**ASHOK LEYLAND v/s BSE SENSEX**


Source: IndiaNivesh Research, Capitaline

**Daljeet S. Kohli**  
Head of Research

Mobile: +91 77383 93371, 99205 94087

Tel: +91 22 66188826

[daljeet.kohli@indianivesh.in](mailto:daljeet.kohli@indianivesh.in)
**Shivani Kadam**  
Research Analyst

Tel: +91 22 66188841

[shivani.kadam@indianivesh.in](mailto:shivani.kadam@indianivesh.in)

Ashok Leyland Ltd. has posted mixed results as its revenue increased by 6% YoY which is slightly better than the market expectation of 3.6%, however, there was sharp decline of 30% in its bottom-line. Both micro and macro factors have affected the growth trajectory of the company. A slower ramp-up at the Uttarakhand plant coupled with macro challenges, such as higher interest rates and rising fuel cost has decreased the company's profitability.

- **Revenue:** The Company, posted increment of 6% in top-line YoY due to price hike of commercial vehicle by 2% in the domestic market with effect from April 2011 and a 5-8% price hike in the export markets. However, on QoQ basis, it de-grew by 35% owing to weakening of demand.
- **Expenditure:** Increase in the prices of commodities such as steel, rubber and casting forgings has inflated the company's raw material cost. The percentage raw material to sales stood at 79% in Q1FY12, an increment 300 bps from last year. Apart from that, employee cost increased 23% and Other Expenditure increased by 16%. However, QoQ there is fall in cost of raw material (24%), employee cost (17%) and other expenditure by (21%).
- **EBITDA:** EBITDA of the company increased by 4% YoY while it decreased 52% QoQ. EBITDA margin of the company stood at 9.5% (22 bps decline YoY and 352 bps decline QoQ) due to slower ramp-up at Pantnagar plant and lower volume.
- **Profit:** PAT of the company has decreased by 30% YoY and 71% QoQ. There was increase in the depreciation and interest expense by 38% and 69% YoY respectively, as company has made capital expenditure to ramp up the production plant at Pantnagar.
- **Volume Guidance:** Ashok Leyland sound very optimistic in its guidance as it is anticipating sale volume of 1.05 lacs unit in FY12 where as it has managed to sell only 19,277 units in Q1FY12. The company now needs to achieve 9,500 units per month in the coming three quarters in order to meet its expectation which seems very challenging lead by unfavorable macro factors.

Quick Fundamentals (Rs. Mn)					
Ashok Leyland Ltd.	Q1FY11	Q1FY12	Q4FY11	Y-o-Y %	Q-o-Q %
<b>Revenue</b>	<b>23480</b>	<b>24955</b>	<b>38285</b>	6	-35
Incr./Decr. in Stock in trade and WIP	-1136	-2377	1065	109	-323
Consumption of Raw Materials	17788	19606	25894	10	-24
Purchase of traded goods	694	751	644	8	17
Employees Cost	2025	2497	3018	23	-17
Other Expenditure	1755	2030	2566	16	-21
<b>Total Expenditure</b>	<b>21126</b>	<b>22509</b>	<b>33187</b>	7	-32
<b>EBITDA</b>	<b>2354</b>	<b>2446</b>	<b>5099</b>	4	-52
Depreciation	615	847	772	38	10
<b>EBIT</b>	<b>1739</b>	<b>1600</b>	<b>4327</b>	-8	-63
Other Income	47	41	41	-13	0
Interest	316	533	451	69	18
<b>PBT</b>	<b>1470</b>	<b>1107</b>	<b>3917</b>	-25	-72
Tax Expense	244	245	935	0	-74
<b>PAT</b>	<b>1226</b>	<b>863</b>	<b>2982</b>	-30	-71
EPS (in Rs.)	0.92	0.65	2.24	-30	-71
	<b>Margin %</b>	<b>Margin %</b>	<b>Margin %</b>	<b>Basis Points (BPS)</b>	
<b>EBITDA %</b>	10.0	9.8	13.3	-22	-352
<b>EBIT %</b>	7.4	6.4	11.3	-100	-489
<b>PBT %</b>	6.3	4.4	10.2	-183	-579
<b>PAT %</b>	5.2	3.5	7.8	-177	-433

Source: Company Filings; IndiaNivesh Research; Note: IN - IndiaNivesh Research; BL- Bloomberg

**Valuation**

In the past few months, we have shown preference for 2 wheelers segment over 4 wheelers especially over commercial vehicles owing to macro concerns prevailing in the economy that is going to increase overall cost of ownership. Hence, we would like to continue with that perspective. At CMP of Rs. 51, Ashok Leyland is trading at 10.36x and 8.74x FY12e and FY13e Bloomberg EPS estimate.



Trust.....we earn it.

**IndiaNivesh Securities Private Limited**

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

Tel: (022) 66188800 / Fax: (022) 66188899

e-mail: [research@indianivesh.in](mailto:research@indianivesh.in) | Website: [www.indianivesh.in](http://www.indianivesh.in)

**Disclaimer:** This document has been prepared by IndiaNivesh Securities Private Limited (IndiaNivesh), for use by the recipient as information only and is not for circulation or public distribution. This document is not to be reproduced, copied, redistributed or published or made available to others, in whole or in part without prior permission from us. This document is not to be construed as an offer to sell or the solicitation of an offer to buy any security. Recipients of this document should be aware that past performance is not necessarily a guide for future performance and price and value of investments can go up or down. The suitability or otherwise of any investments will depend upon the recipients particular circumstances. The information contained in this document has been obtained from sources that are considered as reliable though its accuracy or completeness has not been verified by IndiaNivesh independently and cannot be guaranteed. Neither IndiaNivesh nor any of its affiliates, its directors or its employees accepts any responsibility or whatever nature for the information, statements and opinion given, made available or expressed herein or for any omission or for any liability arising from the use of this document. Opinions expressed are our current opinions as of the date appearing on this material only. **IndiaNivesh directors and its clients may have holdings in the stocks mentioned in the report.**

To unsubscribe please send a mail to [mail@indianivesh.in](mailto:mail@indianivesh.in)

[Home](#)