

Ashok Leyland

Performance Highlights

| Y/E March (₹ cr) | 2QFY12 | 2QFY11 | % chg (yoy) | Angel est. | % diff |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 3,095 | 2,714 | 14.0 | 3,184 | (2.8) |
| Adj. EBITDA | 331 | 306 | 8.1 | 299 | 10.6 |
| Adj. EBITDA margin (%) | 10.7 | 11.3 | (58)bp | 9.4 | 130bp |
| Reported PAT | 154 | 167 | (7.8) | 112 | 37.5 |

Source: Company, Angel Research

Ashok Leyland (AL) reported better-than-expected results for 2QFY2012, driven by higher net average realization and favorable operating leverage. We have revised our volume estimates marginally downwards and built in flat volumes for FY2012. However, we have revised our net sales estimates upwards due to the expected improvement in net average realization. We have also revised our margin estimates upwards to factor in the pricing action and softening commodity prices. **We continue to maintain our Buy rating on the stock.**

Better-than-expected operating performance: During the quarter, AL reported 14% yoy growth in its top line to ₹3,095cr, driven by an 18.7% yoy increase in its average net realization. Volume performance, however, was subdued during the quarter, reporting a 3.9% yoy decline. Average net realization improved on account of price increases and higher defense kit and spare parts revenue. On a sequential basis, revenue jumped strongly by 24% as volumes increased by 22.6%. EBITDA margin came in at 10.7%, registering a decline of 58bp yoy; however, it expanded by 128bp qoq, largely due to favorable operating leverage, better-than-expected realization and lower other expenditure. Raw-material cost as a percentage of sales was more or less stable during the quarter, leading to 8.1% yoy (40.8% qoq) growth in operating profit. Net profit, however, declined by 7.8% yoy to ₹154cr, mainly due to higher interest and depreciation expense. Sequentially, net profit jumped substantially by 78.6%, led by better operating leverage, higher other income and lower tax-rate.

Outlook and valuation: At ₹28, AL is trading at 10.2x its FY2013E earnings. We maintain our Buy rating on the stock with a revised target price of ₹32, valuing the stock at 12x its FY2013E earnings.

Key financials

| Y/E March (₹ cr) | FY2010 | FY2011 | FY2012E | FY2013E |
|-------------------|--------------|---------------|---------------|---------------|
| Net sales | 7,407 | 11,366 | 12,590 | 14,507 |
| % chg | 21.5 | 53.4 | 10.8 | 15.2 |
| Net profit | 384 | 630 | 605 | 726 |
| % chg | 101.9 | 64.2 | (3.9) | 19.9 |
| EBITDA (%) | 10.3 | 10.7 | 10.2 | 10.2 |
| EPS (₹) | 1.6 | 2.4 | 2.3 | 2.7 |
| P/E (x) | 19.2 | 11.7 | 12.2 | 10.2 |
| P/BV (x) | 3.2 | 2.8 | 2.6 | 2.2 |
| RoE (%) | 10.7 | 16.5 | 14.8 | 16.5 |
| RoCE (%) | 9.2 | 14.2 | 12.9 | 14.2 |
| EV/Sales (x) | 1.1 | 0.7 | 0.7 | 0.6 |
| EV/EBITDA (x) | 11.6 | 7.1 | 7.0 | 6.1 |

Source: Company, Angel Research

BUY

| | |
|--------------|-----|
| CMP | ₹28 |
| Target Price | ₹32 |

| | |
|-------------------|-----------|
| Investment Period | 12 Months |
|-------------------|-----------|

| | |
|--------------------|------------|
| Stock Info | |
| Sector | Automobile |
| Market Cap (₹ cr) | 7,383 |
| Beta | 1.0 |
| 52 Week High / Low | 41/23 |
| Avg. Daily Volume | 715,547 |
| Face Value (₹) | 1 |
| BSE Sensex | 17,563 |
| Nifty | 5,284 |
| Reuters Code | ASOK.BO |
| Bloomberg Code | AL@IN |

| | |
|--------------------------|------|
| Shareholding Pattern (%) | |
| Promoters | 38.6 |
| MF / Banks / Indian Fls | 20.0 |
| FII / NRIs / OCBs | 30.6 |
| Indian Public / Others | 10.8 |

| Abs. (%) | 3m | 1yr | 3yr |
|---------------|-------|--------|-------|
| Sensex | (0.7) | (15.9) | 65.2 |
| Ashok Leyland | 13.0 | (29.1) | 161.8 |

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Exhibit 1: Quarterly performance

| Y/E March (₹ cr) | 2QFY12 | 2QFY11 | yoy chg (%) | 1QFY12 | qoq chg (%) | 1HFY12 | 1HFY11 | chg (%) |
|--------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|---------------|
| Net Sales | 3,095 | 2,714 | 14.0 | 2,496 | 24.0 | 5,590 | 5,062 | 10.4 |
| Consumption of RM | 2,183 | 1,918 | 13.8 | 1,723 | 26.7 | 3,906 | 3,583 | 9.0 |
| (% of Sales) | 70.6 | 70.7 | | 69.0 | | 69.9 | 70.8 | |
| Staff Costs | 252 | 211 | 18.9 | 250 | 0.7 | 501 | 414 | 21.1 |
| (% of Sales) | 8.1 | 7.8 | | 10.0 | | 9.0 | 8.2 | |
| Purchase of traded goods | 92 | 79 | 17.5 | 75 | 23.1 | 168 | 148 | 13.2 |
| (% of Sales) | 3.0 | 2.9 | | 3.0 | | 3.0 | 2.9 | |
| Other Expenses | 236 | 199 | 18.5 | 213 | 11.1 | 449 | 375 | 19.7 |
| (% of Sales) | 7.6 | 7.3 | | 8.5 | | 8.0 | 7.4 | |
| Total Expenditure | 2,763 | 2,408 | 14.8 | 2,260 | 22.3 | 5,024 | 4,520 | 11.1 |
| Operating Profit | 331 | 306 | 8.1 | 235 | 40.8 | 566 | 542 | 4.5 |
| OPM | 10.7 | 11.3 | | 9.4 | | 10.1 | 10.7 | |
| Interest | 63 | 39 | 58.9 | 53 | 17.5 | 116 | 71 | 63.3 |
| Depreciation | 86 | 64 | 34.1 | 85 | 1.5 | 171 | 126 | 35.9 |
| Other Income | 10 | 5 | 114.5 | 4 | 150.8 | 14 | 10 | 51.3 |
| PBT (excl. Extr. Items) | 193 | 208 | (7.1) | 101 | 90.4 | 294 | 355 | (17.0) |
| Extr. Income/(Expense) | 0 | 0 | - | (9) | (100.0) | (9) | 0 | - |
| PBT (incl. Extr. Items) | 193 | 208 | (7.1) | 111 | 74.2 | 304 | 355 | (14.4) |
| (% of Sales) | 6.2 | 7.6 | | 4.4 | | 5.4 | 7.0 | |
| Provision for Taxation | 39 | 40 | (4.2) | 24 | 58.4 | 63 | 65 | (2.5) |
| (% of PBT) | 20.1 | 19.5 | | 22.1 | | 20.8 | 18.3 | |
| Reported PAT | 154 | 167 | (7.8) | 86 | 78.6 | 240 | 290 | (17.0) |
| PATM | 5.0 | 6.2 | | 3.5 | | 4.3 | 5.7 | |
| Equity capital (cr) | 266 | 266 | | 266 | | 266 | 266 | |
| EPS (₹) | 0.6 | 0.6 | (7.8) | 0.3 | 78.6 | 0.9 | 1.1 | (17.0) |

Source: Company, Angel Research

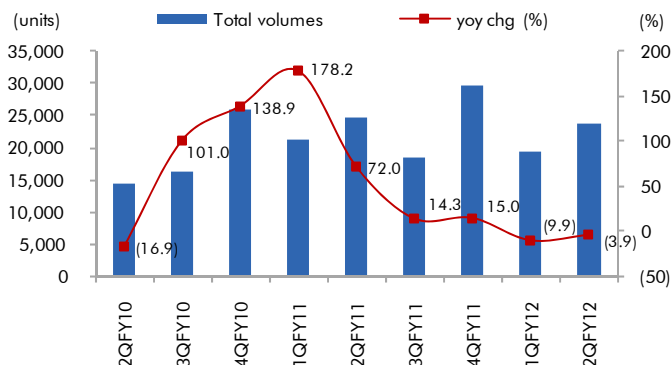
Exhibit 2: Volume performance

| (units) | 2QFY12 | 2QFY11 | yoy chg | 1QFY12 | qoq chg | 1HFY12 | 1HFY11 | % chg |
|-----------------------|---------------|---------------|--------------|---------------|-------------|---------------|---------------|--------------|
| M&HCV passenger | 6,125 | 6,504 | (5.8) | 5,328 | 15.0 | 11,453 | 11,592 | (1.2) |
| M&HCV goods | 17,225 | 17,925 | (3.9) | 13,755 | 25.2 | 30,980 | 33,963 | (8.8) |
| LCV | 278 | 160 | 73.8 | 194 | 43.3 | 472 | 434 | 8.8 |
| Total volume | 23,628 | 24,589 | (3.9) | 19,277 | 22.6 | 42,905 | 45,989 | (6.7) |
| Exports (inc. above) | 3,230 | 2,350 | 37.4 | 2,539 | 27.2 | 5,769 | 4,290 | 34.5 |

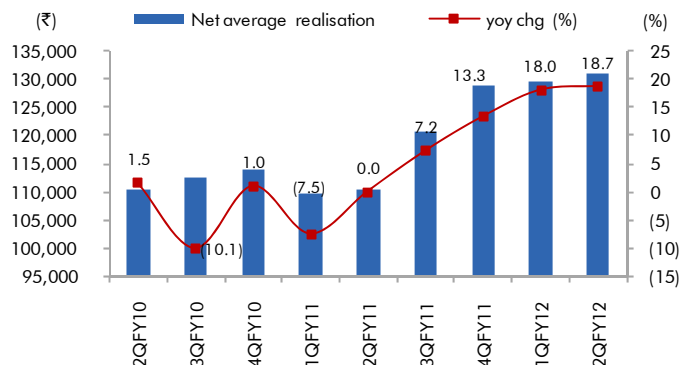
Source: Company, Angel Research

Top-line growth led by growth in average net realization: AL reported 14% yoy growth in its top line to ₹3,095cr, driven by an 18.7% yoy increase in average net realization. Volume performance, however, was subdued during the quarter, reporting a 3.9% yoy decline. Average net realization improved to ₹130,970 on account of price increases and higher defense kit and spare parts revenue. Sequentially, revenue jumped strongly by 24%, as volumes increased by 22.6%.

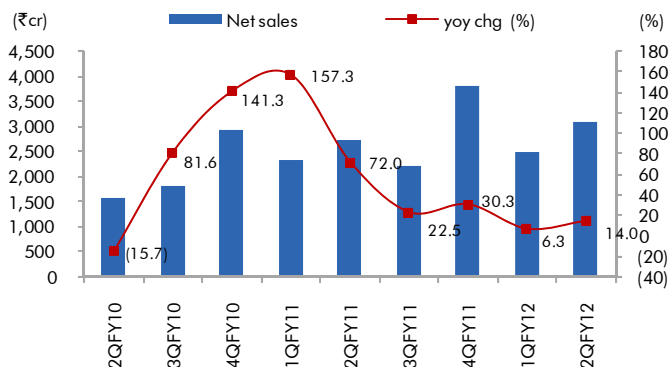
The engine business posted volume of ~3,373 units in 2QFY2012 compared to ~3,432 units in 2QFY2011. The defense business reported volume of ~1,000 sets during the quarter.

Exhibit 3: Volumes down 3.9% yoy


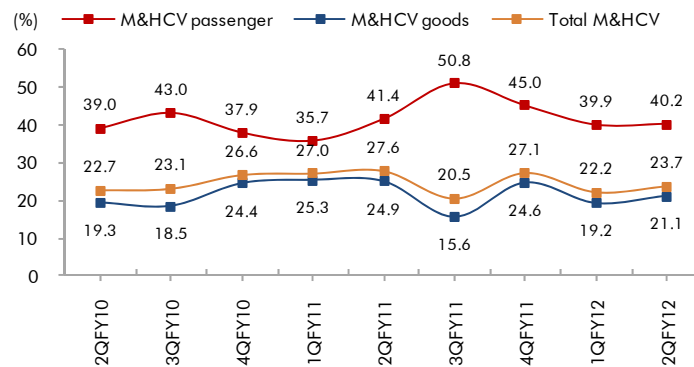
Source: Company, Angel Research

Exhibit 4: Net average realization trend


Source: Company, Angel Research

Exhibit 5: Net sales up 14% yoy


Source: Company, Angel Research

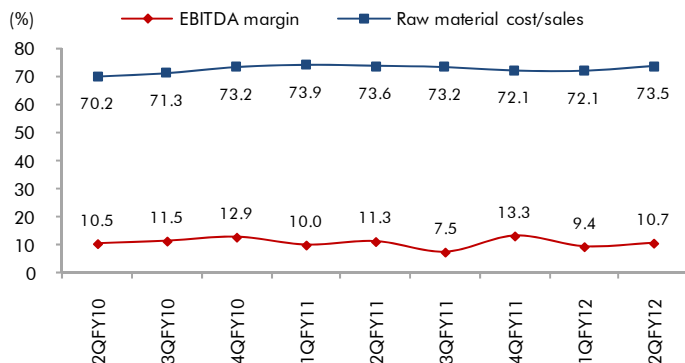
Exhibit 6: Domestic market share trend


Source: Company, SIAM, Angel Research

Operating margin expands on favorable operating leverage: AL's EBITDA margin for the quarter came in at 10.7%, registering a decline of 58bp yoy; however, it was 130bp ahead of our estimates. Sequentially, operating margin expanded by 128bp from 9.4%, largely due to favorable operating leverage, better-than-expected realization and lower other expenditure. Raw-material cost as a percentage of sales was more or less stable on a yoy basis. As a result, the company's operating profit grew by 8.1% yoy (40.8% qoq) during the quarter.

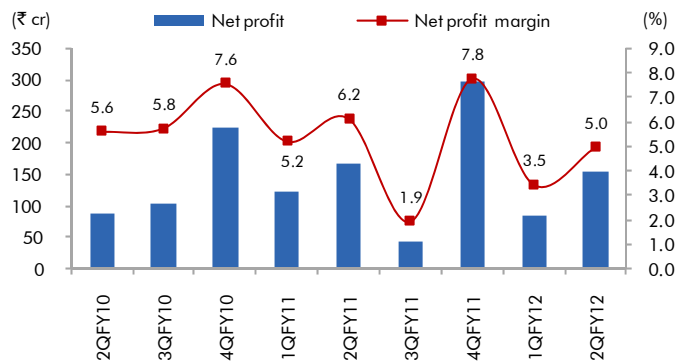
Staff cost witnessed an increase of 18.9% yoy, as the company added around 2,000 employees. Other expenditure also grew by 18.5% yoy because of higher advertisement expense (₹5cr-6cr), one-time annual maintenance expenditure of ₹8cr and as production at Pantnagar continues to ramp up.

Exhibit 7: EBITDA margin rises to 10.7%



Source: Company, Angel Research

Exhibit 8: Net profit increases by 78.6% qoq



Source: Company, Angel Research

Net profit beats estimates due to operating margin expansion and high other income: Net profit for 2QFY2012 stood at ₹154cr, beating our estimates by 37.5%, led by expansion in operating margin and a significant increase in other income (₹10cr vs. ₹5cr in 2QFY2011). Net profit, however, declined by 7.8% yoy largely due to higher interest (high working capital cost) and depreciation (addition to gross block) expense. Sequentially, net profit grew substantially by 78.6% on account of better operating leverage, higher other income and lower tax rate.

Conference call – Key highlights

- According to management, the share of South India in the commercial vehicle industry has declined to 23% from 24% earlier. The multi-axle vehicle industry in the southern region has witnessed a drop of 32-33% in 1HFY2012. Demand in the southern region has been impacted due to elections and Telangana issue.
- Demand for tractor trailers has also witnessed a decline of 20% in 1HFY2012 in western India. However, the higher-tonnage tipper industry has seen strong ~50% yoy growth due to mining and construction activity.
- Management has indicated that freight rates in the southern and eastern regions have dropped in the past couple of months, whereas the northern and western regions are witnessing a strong freight environment.
- Management has guided for modest industry volume growth of 5-6% in FY2012. However, according to management, the company's volumes are expected to surpass 100,000 units in FY2012, with exports likely to report sales of ~13,000 units.
- AL expects to maintain its market share at ~25% in FY2012 as it expects to increase penetration in the northern and eastern markets. To achieve this, the company is increasing its dealerships in northern and eastern India and its service stations across the country along with offering fully built vehicles.
- For 2QFY2012, production at Pantnagar increased to ~7,000 units from ~5,900 units in 1QFY2012. AL expects to produce ~20,000 units from this plant in 2HFY2012. The company lost ~20 days of production at Pantnagar in October 2011 due to civil unrest in the region and supply constraints related to fuel injection pumps from Bosch.
- Engine business volumes continued to be affected as the company restricted supplies to the telecom sector. The company sold ~3,373 engines in 2QFY2012 and increased its product prices by ~4% in June 2011. Around 1,500 defense kits were supplied during 1HFY2012. AL expects to supply 1,200 kits, in 2HFY2012. The spares business posted ~₹370cr in sales in 1HFY2012.
- AL has taken an average price increase of ~1% (₹8,000-12,000 across models) from November 2011. According to management, pricing action coupled with softening raw-material prices will likely boost the company's EBITDA margin in 2HFY2012.
- Management expects joint ventures (JV) to turn EBITDA positive over the next two-three years.
- Sales of U-truck volumes stood at ~2,000 units in 1HFY2012. Sales in 2HFY2012 are expected to be ~6,000 units.
- John Deere JV is expected to launch backhoe loaders in November 2011.
- As per the Nissan JV agreement, vehicles (currently Dost) sold in Tamil Nadu are sold under the JV to avail VAT benefits, whereas sales outside Tamil Nadu are booked under AL. The JV sold ~210 units of Dost in October 2011. The target for 2HFY2012 has been set at ~12,000 units.

Investment arguments

- **Demand scenario to improve with easing of interest rates:** M&HCV demand has witnessed a slowdown in recent times due to high interest rates and slowdown in industrial activity; however, we believe M&HCV demand is near its trough. With interest rates expected to cool down from CY2012, we expect pick-up in industrial activity, leading to a rebound in M&HCV sales. Thus, we expect Ashok Leyland's volume growth to rebound to ~12% in FY2013E, leading to a ~13% revenue CAGR over FY2011-13E.
- **Pantnagar plant to mitigate raw-material cost pressures:** The new tax-free facility at Pantnagar is relatively more profitable, with profitability estimated to be ~25% higher (cost savings of ~₹35,000/vehicle) than that of existing plants. AL plans to ramp up Pantnagar production to ~35,000 vehicles in FY2012 from 12,800 in FY2011. We expect these benefits to partially offset the impact of raw-material cost pressures, enabling AL to maintain its operating margins at 10-11%.
- **JV contribution yet to crystallize:** AL has entered into an agreement to form a JV with Nissan Motor Company for the development, manufacture and distribution of LCV products. As AL has a negligible presence in the LCV space, this partnership would be positive for AL in the long run. The JV has already commenced commercial production of its first product, *Dost*, from September 2011. Further, the company's JV with John Deere is expected to start production from 2HFY2012.

Outlook and valuation

We have revised our volume estimates marginally downwards and built in flat volumes for FY2012. However, we have revised our net sales estimates upwards due to the expected improvement in net average realization. We have also revised our margin estimates upwards to factor in the pricing action and softening commodity prices. As a result, our EPS estimates stand revised by 15.5%/5.4% in FY2012E/13E to ₹2.3/₹2.7.

Exhibit 9: Change in estimates

| Y/E March (₹ cr) | Earlier Estimates | | Revised Estimates | | % chg | |
|------------------|-------------------|---------|-------------------|---------|---------|---------|
| | FY2012E | FY2013E | FY2012E | FY2013E | FY2012E | FY2013E |
| Net sales | 12,344 | 14,178 | 12,590 | 14,507 | 2.0 | 2.3 |
| OPM (%) | 9.6 | 10.1 | 10.2 | 10.2 | 60bp | 5bp |
| EPS | 2.0 | 2.6 | 2.3 | 2.7 | 15.5 | 5.4 |

Source: Company, Angel Research

We believe the next few quarters will also be challenging for the company, as commercial vehicle demand continues to be impacted by high interest rates and slowdown in industrial activity. However, we expect demand to revive from CY2012 with the likely easing of interest rates, thereby helping AL to post ~12% volume growth in FY2013E. At ₹28, AL is trading at 10.2x its FY2013E earnings. **We maintain our Buy recommendation on the stock with a revised target price of ₹32, valuing the stock at 12x its FY2013E earnings.**

Exhibit 10: Key assumptions

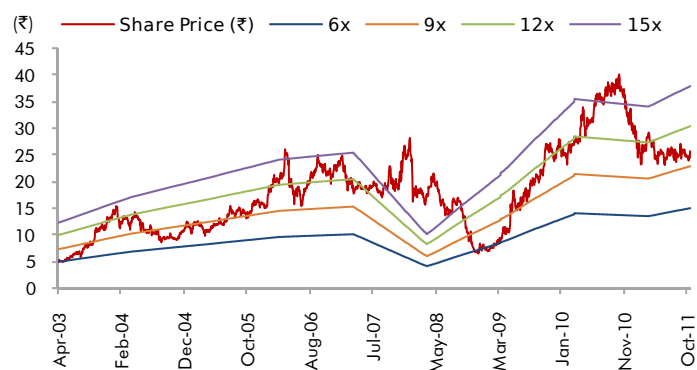
| | FY2008 | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|---------------------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| M&HCV passenger (units) | 22,260 | 19,981 | 18,481 | 25,226 | 26,487 | 29,136 |
| M&HCV goods (units) | 60,224 | 33,071 | 44,345 | 68,007 | 65,967 | 73,883 |
| LCV (units) | 823 | 1,379 | 1,100 | 873 | 960 | 1,104 |
| Total volume (units) | 83,307 | 54,431 | 63,926 | 94,106 | 93,414 | 104,123 |
| % yoy chg | 0.3 | (34.7) | 17.4 | 47.2 | (0.7) | 11.5 |
| Domestic (units) | 76,022 | 47,619 | 57,947 | 83,800 | 80,532 | 89,308 |
| Exports (units) | 7,285 | 6,812 | 5,979 | 10,306 | 12,883 | 14,815 |
| Segment-wise revenue break-up (₹ cr) | | | | | | |
| Vehicle | 8,102 | 5,520 | 6,746 | 10,901 | 12,120 | 14,049 |
| Engines | 235 | 442 | 369 | 356 | 336 | 367 |
| Spare parts | 791 | 800 | 885 | 1,062 | 1,189 | 1,308 |
| Services and others | 13 | 23 | 36 | 23 | 25 | 28 |
| Total gross revenue (₹ cr) | 9,142 | 6,784 | 8,035 | 12,342 | 13,670 | 15,753 |

Source: Company, Angel Research

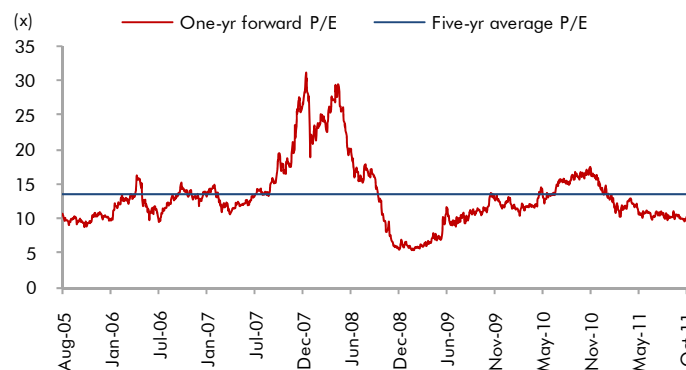
Exhibit 11: Angel vs. consensus

| | Angel estimates | | Consensus | | Variation (%) | |
|-------------------------|-----------------|---------------|---------------|---------------|---------------|--------------|
| | FY12E | FY13E | FY12E | FY13E | FY12E | FY13E |
| Net sales (₹ cr) | 12,590 | 14,507 | 12,406 | 14,066 | 1.5 | 3.1 |
| EPS (₹) | 2.3 | 2.7 | 2.3 | 2.8 | (1.1) | (1.9) |

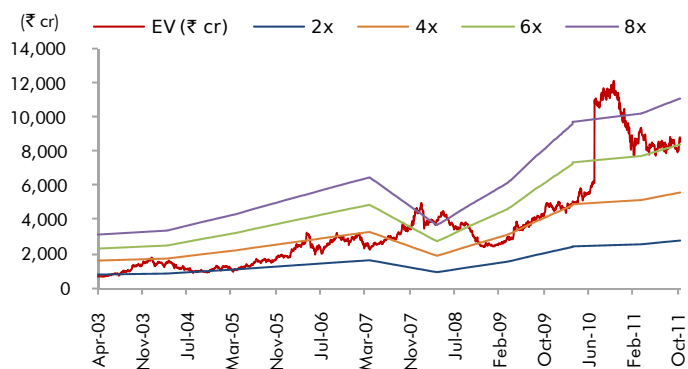
Source: Bloomberg, Angel Research

Exhibit 12: One-year forward P/E band


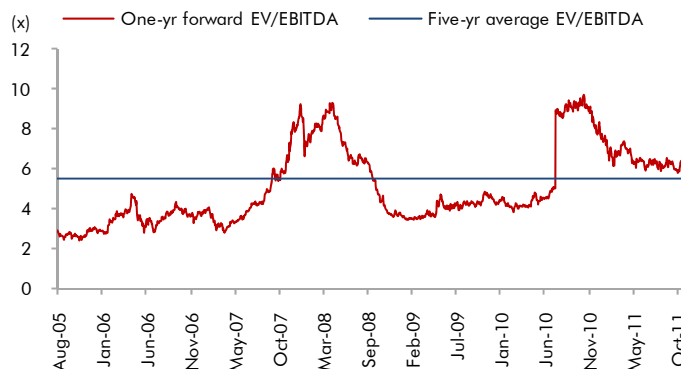
Source: Company, Angel Research

Exhibit 13: One-year forward P/E chart


Source: Company, Angel Research

Exhibit 14: One-year forward EV/EBITDA band


Source: Company, Angel Research

Exhibit 15: One-year forward EV/EBITDA chart


Source: Company, Angel Research

Exhibit 16: Automobile - Recommendation summary

| Company | Reco. | CMP (₹) | Tgt. price (₹) | Upside (%) | P/E (x) | | EV/EBITDA (x) | | RoE (%) | | FY11-13E EPS CAGR (%) |
|---------------|------------|------------|-------------------|---------------|---------|-------|---------------|-------|---------|-------|--------------------------|
| | | | | | FY12E | FY13E | FY12E | FY13E | FY12E | FY13E | |
| Ashok Leyland | Buy | 28 | 32 | 15.3 | 12.2 | 10.2 | 7.0 | 6.1 | 14.8 | 16.5 | 7.3 |
| Bajaj Auto | Neutral | 1,743 | - | - | 16.3 | 15.0 | 11.4 | 9.6 | 55.5 | 47.0 | 10.4 |
| Hero MotoCorp | Neutral | 2,116 | - | - | 18.2 | 16.3 | 11.0 | 9.1 | 63.7 | 50.2 | 18.8 |
| Maruti Suzuki | Accumulate | 1,123 | 1,190 | 5.9 | 17.5 | 13.2 | 10.9 | 7.5 | 12.3 | 14.2 | 4.4 |
| M&M | Neutral | 835 | - | - | 17.8 | 15.7 | 11.7 | 9.6 | 25.0 | 24.3 | 11.1 |
| Tata Motors | Neutral | 188 | - | - | 6.7 | 6.1 | 4.7 | 4.4 | 44.6 | 42.8 | 3.7 |
| TVS Motor | Accumulate | 67 | 74 | 10.3 | 12.0 | 10.9 | 6.1 | 5.2 | 24.5 | 23.0 | 19.2 |

Source: Company, Angel Research

Profit & Loss Statement

| Y/E March (₹ cr) | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E |
|-------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Gross sales | 9,142 | 6,784 | 8,035 | 12,342 | 13,670 | 15,753 |
| Less: Excise duty | 1,206 | 686 | 628 | 976 | 1,081 | 1,246 |
| Net Sales | 7,935 | 6,098 | 7,407 | 11,366 | 12,590 | 14,507 |
| Total operating income | 7,935 | 6,098 | 7,407 | 11,366 | 12,590 | 14,507 |
| % chg | 8.4 | (23.1) | 21.5 | 53.4 | 10.8 | 15.2 |
| Total Expenditure | 7,128 | 5,642 | 6,648 | 10,148 | 11,312 | 13,034 |
| Net Raw Materials | 5,764 | 4,480 | 5,212 | 8,113 | 9,027 | 10,409 |
| Other Mfg costs | 161 | 132 | 135 | 235 | 258 | 305 |
| Personnel | 614 | 563 | 667 | 970 | 1,095 | 1,255 |
| Other | 590 | 467 | 634 | 831 | 932 | 1,066 |
| EBITDA | 808 | 456 | 760 | 1,218 | 1,278 | 1,472 |
| % chg | 20.1 | (43.5) | 66.6 | 60.3 | 5.0 | 15.2 |
| (% of Net Sales) | 10.2 | 7.5 | 10.3 | 10.7 | 10.2 | 10.2 |
| Depreciation & Amortization | 177 | 178 | 204 | 267 | 327 | 353 |
| EBIT | 630 | 278 | 555 | 950 | 951 | 1,119 |
| % chg | 20.8 | (56.0) | 100.1 | 71.1 | 0.1 | 17.7 |
| (% of Net Sales) | 7.9 | 4.6 | 7.5 | 8.4 | 7.6 | 7.7 |
| Interest & other charges | 76 | 160 | 102 | 189 | 217 | 217 |
| Other Income | 84 | 91 | 91 | 41 | 32 | 40 |
| (% of PBT) | 13.6 | 46.3 | 18.1 | 5.1 | 4.2 | 4.2 |
| PBT | 638 | 208 | 545 | 802 | 766 | 942 |
| % chg | 5.6 | (67.3) | 161.3 | 47.2 | (4.5) | 23.0 |
| Extraordinary Expense/(Inc.) | 19 | 11 | 40 | 2 | - | - |
| Tax | 169 | 18 | 121 | 171 | 161 | 217 |
| (% of PBT) | 27.2 | 9.4 | 24.0 | 21.3 | 21.0 | 23.0 |
| PAT (reported) | 469 | 190 | 424 | 631 | 605 | 726 |
| ADJ. PAT | 451 | 179 | 384 | 630 | 605 | 726 |
| % chg | 5.9 | (60.3) | 114.6 | 64.2 | (3.9) | 19.9 |
| (% of Net Sales) | 5.7 | 2.9 | 5.2 | 5.5 | 4.8 | 5.0 |
| Basic EPS (₹) | 1.8 | 0.7 | 1.6 | 2.4 | 2.3 | 2.7 |
| Adjusted EPS (₹) | 1.7 | 0.7 | 1.4 | 2.4 | 2.3 | 2.7 |
| % chg | (47.3) | (60.3) | 114.6 | 64.2 | (3.9) | 19.9 |

Balance Sheet

| Y/E March (₹ cr) | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SOURCES OF FUNDS | | | | | | |
| Equity Share Capital | 133 | 133 | 133 | 133 | 266 | 266 |
| Reserves & Surplus | 2,016 | 3,341 | 3,536 | 3,830 | 3,930 | 4,344 |
| Shareholders' Funds | 2,149 | 3,474 | 3,669 | 3,963 | 4,196 | 4,610 |
| Total Loans | 888 | 1,958 | 2,280 | 2,658 | 3,058 | 3,058 |
| Deferred Tax Liability | 254 | 263 | 385 | 444 | 444 | 444 |
| Total Liabilities | 3,290 | 5,695 | 6,334 | 7,065 | 7,698 | 8,112 |
| APPLICATION OF FUNDS | | | | | | |
| Gross Block | 2,942 | 4,939 | 6,019 | 6,692 | 7,428 | 7,952 |
| Less: Acc. Depreciation | 1,417 | 1,540 | 1,769 | 2,058 | 2,385 | 2,738 |
| Net Block | 1,526 | 3,399 | 4,250 | 4,634 | 5,043 | 5,214 |
| Capital Work-in-Progress | 529 | 998 | 561 | 358 | 371 | 398 |
| Goodwill | - | - | - | - | - | - |
| Investments | 610 | 264 | 326 | 1,230 | 1,347 | 1,403 |
| Current Assets | 2,875 | 3,166 | 4,152 | 4,367 | 4,389 | 5,159 |
| Cash | 451 | 88 | 519 | 180 | 104 | 122 |
| Loans & Advances | 824 | 790 | 973 | 794 | 906 | 1,044 |
| Other | 1,600 | 2,288 | 2,660 | 3,394 | 3,378 | 3,992 |
| Current liabilities | 2,272 | 2,141 | 2,961 | 3,528 | 3,458 | 4,066 |
| Net Current Assets | 603 | 1,025 | 1,191 | 839 | 932 | 1,093 |
| Mis. Exp. not written off | 22 | 10 | 5 | 4 | 4 | 4 |
| Total Assets | 3,290 | 5,695 | 6,334 | 7,065 | 7,698 | 8,112 |

Cash Flow Statement

| Y/E March (₹ cr) | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E |
|----------------------------------|--------------|----------------|--------------|----------------|--------------|--------------|
| Profit before tax | 620 | 197 | 505 | 800 | 766 | 942 |
| Depreciation | 177 | 178 | 204 | 267 | 327 | 353 |
| Change in Working Capital | (670) | 155 | (297) | (130) | (75) | (70) |
| Less: Others | (1,107) | 1,038 | (799) | 176 | 103 | (26) |
| Direct taxes paid | 169 | 18 | 121 | 171 | 161 | 217 |
| Cash Flow from Operations | 1,066 | (526) | 1,090 | 591 | 753 | 1,035 |
| (Inc.)/Dec. in Fixed Assets | (614) | (2,480) | (629) | (470) | (750) | (550) |
| (Inc.)/Dec. in Investments | (389) | 346 | (63) | (904) | (117) | (56) |
| (Inc.)/Dec. in loans and adv. | 189 | 1 | 82 | (190) | (72) | 105 |
| Other income | 84 | 91 | 95 | 41 | 32 | 40 |
| Cash Flow from Investing | (729) | (2,042) | (514) | (1,523) | (907) | (462) |
| Issue of Equity | 1 | - | - | - | 133 | - |
| Inc./(Dec.) in loans | 247 | 1,074 | 318 | 378 | 400 | - |
| Dividend Paid (Incl. Tax) | 226 | 234 | 156 | 233 | 309 | 233 |
| Others | (794) | 896 | (620) | (19) | (764) | (789) |
| Cash Flow from Financing | (320) | 2,204 | (146) | 592 | 79 | (555) |
| Inc./(Dec.) in Cash | 16 | (363) | 431 | (339) | (75) | 18 |
| Opening Cash balances | 435 | 451 | 88 | 519 | 180 | 104 |
| Closing Cash balances | 451 | 88 | 519 | 180 | 104 | 122 |

Key Ratios

| Y/E March | FY08 | FY09 | FY10 | FY11 | FY12E | FY13E |
|----------------------------------------|-------|------|------|------|-------|-------|
| Valuation Ratio (x) | | | | | | |
| P/E (on FDEPS) | 16.4 | 41.3 | 19.2 | 11.7 | 12.2 | 10.2 |
| P/CEPS | 11.4 | 20.0 | 12.6 | 8.2 | 7.9 | 6.8 |
| P/BV | 3.5 | 3.5 | 3.2 | 2.8 | 2.6 | 2.2 |
| Dividend yield (%) | 2.7 | 1.8 | 2.7 | 3.6 | 2.7 | 0.4 |
| EV/Sales | 0.8 | 1.3 | 1.1 | 0.7 | 0.7 | 0.6 |
| EV/EBITDA | 8.9 | 19.7 | 11.6 | 7.1 | 7.0 | 6.1 |
| EV / Total Assets | 2.2 | 1.6 | 1.4 | 1.2 | 1.2 | 1.1 |
| Per Share Data (₹) | | | | | | |
| EPS (Basic) | 1.7 | 0.7 | 1.4 | 2.4 | 2.3 | 2.7 |
| EPS (fully diluted) | 1.7 | 0.7 | 1.4 | 2.4 | 2.3 | 2.7 |
| Cash EPS | 2.4 | 1.4 | 2.2 | 3.4 | 3.5 | 4.1 |
| DPS | 0.8 | 0.5 | 0.8 | 1.0 | 0.8 | 1.0 |
| Book Value | 8.0 | 7.9 | 8.8 | 10.0 | 10.9 | 12.4 |
| Dupont Analysis | | | | | | |
| EBIT margin | 7.9 | 4.6 | 7.5 | 8.4 | 7.6 | 7.7 |
| Tax retention ratio | 0.7 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 |
| Asset turnover (x) | 3.1 | 1.7 | 1.7 | 2.3 | 2.1 | 2.2 |
| ROIC (Post-tax) | 18.0 | 7.1 | 9.7 | 14.9 | 12.7 | 13.3 |
| Cost of Debt (Post Tax) | 7.3 | 10.2 | 3.7 | 6.0 | 6.0 | 5.5 |
| Leverage (x) | 0.0 | 0.3 | 0.4 | 0.4 | 0.3 | 0.4 |
| Operating ROE | 18.0 | 6.3 | 12.2 | 18.0 | 15.0 | 16.1 |
| Returns (%) | | | | | | |
| ROCE (Pre-tax) | 20.9 | 6.2 | 9.2 | 14.2 | 12.9 | 14.2 |
| Angel ROIC (Pre-tax) | 22.4 | 6.5 | 12.4 | 17.0 | 15.1 | 16.7 |
| ROE | 22.3 | 6.4 | 10.7 | 16.5 | 14.8 | 16.5 |
| Turnover ratios (x) | | | | | | |
| Asset Turnover (Gross Block) | 2.9 | 1.5 | 1.4 | 1.8 | 1.8 | 1.9 |
| Inventory / Sales (days) | 53 | 76 | 73 | 62 | 63 | 64 |
| Receivables (days) | 21 | 40 | 49 | 35 | 35 | 37 |
| Payables (days) | 82 | 114 | 110 | 90 | 88 | 90 |
| Working capital cycle (ex-cash) (days) | 15 | 33 | 40 | 21 | 22 | 23 |
| Solvency ratios (x) | | | | | | |
| Net debt to equity | (0.1) | 0.5 | 0.4 | 0.3 | 0.4 | 0.3 |
| Net debt to EBITDA | (0.2) | 3.5 | 1.9 | 1.0 | 1.3 | 1.0 |
| Interest Coverage (EBIT / Interest) | 8.3 | 1.7 | 5.5 | 5.0 | 4.4 | 5.2 |

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| Disclosure of Interest Statement | Ashok Leyland |
|--------------------------------------------------------------------|---------------|
| 1. Analyst ownership of the stock | No |
| 2. Angel and its Group companies ownership of the stock | No |
| 3. Angel and its Group companies' Directors ownership of the stock | No |
| 4. Broking relationship with company covered | No |

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

| Ratings (Returns): | Buy (> 15%) | Accumulate (5% to 15%) | Neutral (-5 to 5%) |
|--------------------|---------------------|------------------------|--------------------|
| | Reduce (-5% to 15%) | Sell (< -15%) | |