

Company Details

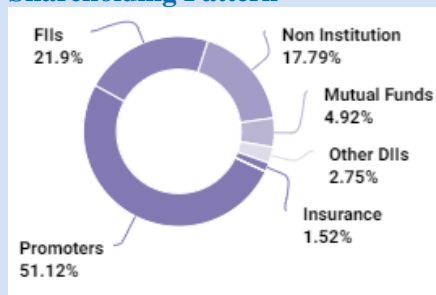
CMP:	Rs.78.75
Face value:	Rs.1
Market cap:	Rs.24,658.43 Crs.
TTM EPS	Rs.6.41
52 week high:	Rs.167.5
52 week low:	Rs.77.75
BSE Code:	500477
Sector	Commercial Vehicles

9 Months FY19

Financial Highlights (YoY)

Rs. in crores			
	9M FY19	9M FY18	% Var
Net Sales	20209.02	17852.91	13.2%
Total Expendit	18058.97	16015.03	12.8%
PBDIT	2150.05	1837.88	17.0%
Op.Profit	2250.86	1975.05	14.0%
OPM (%)	11.14%	11.06%	0.7%
PBT	1736.09	1411.09	23.0%
PAT	1330.21	974.61	36.5%
EPS (Rs.)	4.53	3.33	36.1%
Equity	293.55	292.71	0.3%

Shareholding Pattern



Price Vs Sensex Chart



Research Analyst

Animesh Yadav

animesh.yadav@satco.co.in

Satco Capital Markets Ltd.

Board Line: +91 022 2645 6666 |

Ext: 288 | Fax: +91 022 2651 6783

Company Background

Ashok Leyland Ltd., a Chennai based, Hinduja group company, established in 1948, is the 2nd largest manufacturer of commercial vehicles in India, the 4th largest manufactures of buses in world, and the 10th largest manufacturers of trucks. The company has 9 manufacturing plants globally, out of which 7 are in India, a bus manufacturing facility in UAE and one in UK. The company has JV with the Alteams group for the manufacture of high-press die-casting extruded aluminum components for the Automotive and telecommunications sectors. The company has footprint that extends across 50 countries with the product range from 2.5T GVW (Gross Vehicle Weight) to 49T GTW (Gross Trailer Weight) in trucks, 16 to 80 seater buses, vehicles for defence and special applications.

Financial Performance

The company has reported Net sales of Rs. 20209.02 crores for 9M FY19 higher by 13.2% against Rs. 17852.91 crores for 9M FY18, while **Operating profit was at Rs.2250.86 crores in 9M FY19 up by 14% against that of Rs.1975.05 crores in 9 months of the last year.** The company managed to post double digit operating profit margin given the twin challenges of pricing pressure and higher input costs. **The EPS has also gone up from Rs. 3.33 in 9M FY18 to Rs.4.53 in 9M FY19. The total industry volume for the Q3 FY19 was lower by 7% owing to the high base last year; the company's cumulative growth in Total industry volume till Dec, 18 was 25% which is quite significant.**

Investment Rationale

- Mr. Dheeraj Hinduja, Chairman, will take over as Executive Chairman with immediate effect once Mr. Vinod Dasari current MD and CEO resigns w.e.f 31st March,19. Mr. Hinduja will play as active role during the transitory period as well as the Board will meet shortly to decide the future course of action in identifying the next MD and CEO.
- The company has bagged orders from IRT (Institute of Road Transport, Chennai), UPSRTC (Uttar Pradesh State Roadways Transport Corporation) and CTU (Chandigarh Transport Undertaking) for 2580 buses. **These orders are among the largest from STU's for a single OEM. All these buses can be delivered before March 2019.**
- The company has set up a new 3S facility IFAD Autos in Dhaka, Bangladesh. The sales, service and spares facility, spread across 1.38 lakh square feet is located at Madanpur, Narayanganj district on the Dhaka Chittagong highway. The facility would cater to the entire range of Ashok Leyland vehicles with 18 fully equipped service bays. The company will retain the entire range of products, including Dost, Partner, Ecomet, 1613, 1616, 2518 trucks and various ranges of tippers and buses at the Dhaka facility.
- Volume of MHCV is impacted by the revised axle load norms, but we expect the FY20 may witness the impact of pre-buying form EURO-VI and BS-VI norms as well as expected scrap-page policy to be announced by government.
- The LCV Business is gaining momentum with market share in Dost segment touching 19% in Q3. The operating margin of LCV Business is higher than current overall business margin. With the raw material price expected to come off, the margins will improve in next few quarters.
- The management expects overall volume growth for the year will be in range of 15%-20%. There will be some challenges in the next 6 months with the elections coming up in India but the company is well positioned to address the challenges.
- The company has achieved its internal milestone for the full range of M&HCV, on the road to meeting the BS-VI emission norms. As well as expects Euro-VI and BS-VI pre buy to be roughly about 30-40% increase.
- As on Dec 31st, 2018, the promoters hold 51.12% and FIIs holds 21.9% equity of the company, whereas Mutual Funds, Insurance and other DIIs own 4.92%, 1.52% and 2.75% respectively, and the balance 17.79% shares are held by the public.

Concerns

The Competition from other organized players, higher oil prices, fluctuation in Foreign Exchange and volatility in raw material prices are the main concerns.

Valuation

The share of the Company is trading at Rs. 78.45 which is near to its 52 week low at an attractive **TTM P/E of only 12.1x**. Keeping the improving financials of the company, improvement in margins, large order size and ability to scale the top-line, we expect the commercial vehicle market to see revival and the company to report an **EPS of about Rs. 6.7 for FY19 and based on PE of 18x**, we estimate the price of the scrip to appreciate to about Rs. 120 over the next 6-12 months.



EXTENDED WINGS

DELHI | MUMBAI | AHMEDABAD | KOLKATA | INDORE | PATNA | BHILLAI | BHUBNESHWAR
NASHIK | NAGPUR | PUNE | WARANGAL | VISHAKHAPATNAM | RAJAMUNDHARY | KARIMNAGAR
HYDERABAD | VIJAYWADA | CHENNAI | BANGALORE | COCHIN | TRIVENDRUM

Corporate Office:

Satco Capital Markets Ltd., 402, Silver Pearl Building, Water Field Road, Bandra (w), Mumbai - 400 050
Tel.: +91-22-6170 6700, 2645 6666 | Mob : 98205 70103

Registered Office:

Satco Capital Markets Ltd., 17, Noble Chambers, Ground Floor, Janmabhoomi Marg, Fort, Mumbai - 400 001
Tel.: +91-22-6655 6721/15 / 6655 6777

Disclaimer:

This document is not for public distribution and is meant solely for the personal information of the authorized recipient. No part of the information must be altered, transmitted, copied, distributed or reproduced in any form to any other person. Persons into whose possession this document may come are required to observe these restrictions. This document is for general information purposes only and does not constitute an investment advice or an offer to sell or solicitation of an offer to buy / sell any security and is not intended for distribution in countries where distribution of such material is subject to any licensing, registration or other legal requirements. The information, opinion, views contained in this document is as per prevailing conditions and are of the date appearing on this material only and are subject to change. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. Neither Satco Capital Market Ltd., its group companies, its directors, associates, employees nor any person connected with it accepts any liability or loss arising from the use of this document. The views and opinions expressed herein by the author in the document are his own and do not reflect the views of Satco Capital Market Ltd. or any of its associate or group companies. The information set out herein may be subject to updation, completion, revision, verification and amendment and such information may change materially. Past performance is no guarantee and does not indicate or guide to future performance. Nothing in this document is intended to constitute legal, tax or investment advice, or an opinion regarding the appropriateness of any investment, or a solicitation of any type. The contents in this document are intended for general information purposes only. This document or information mentioned therefore should not form the basis of and should not be relied upon in connection with making any investment. The investment may not be suited to all the categories of investors. The recipients should therefore obtain their own professional, legal, tax and financial advice and assessment of their risk profile and financial condition before considering any decision.

Satco Capital Market Ltd, its associate and group companies, its directors, associates, employees from time to time may have various interests/ positions in any of the securities of the Company (ies) mentioned therein or be engaged in any other transactions involving such securities or otherwise in other securities of the companies / organization mentioned in the document or may have other interest with respect to any recommendation and / related information and opinions. The company follows Employee Trading Policy which regulates the trading activities of the research analysts. The compensation of the research analysts is governed as per the Board approved "Research Analyst" Policy.

Satco Capital Market Ltd. is acting as a Research Analyst and is registered under SEBI (Research Analyst) Regulations, 2014. SEBI Registration No. INH000002343

SATCO CAPITAL MARKETS LIMITED
402, 4th Floor, Silver Pearl, Waterfield Road, Bandra West, Mumbai, Maharashtra 400050