February 18, 2025

National Stock Exchange of India Limited
Exchange Plaza,
C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051

SCRIP CODE: ASHOKLEY

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

SCRIP CODE: 500477

Dear Sir/Madam,

Concall Transcription

Pursuant to Regulations 30 and 46(2) (oa) (ii) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we attach herewith the transcript of the Company's Analyst Call held on February 12, 2025 to discuss the un-audited financial results for the quarter and nine months ended December 31, 2024.

Meeting start time - 5.00 p.m. IST
End time – 6.00 p.m. IST

We request you to take the above on record.

Thanking you,

Yours faithfully,
for ASHOK LEYLAND LIMITED

NATARAJAN RAMANATHAN

Digitally signed by NATARAJAN RAMANATHAN
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Date: 2025.02.18 17:54:09 +05'30'

N Ramanathan
Company Secretary

Encl.: a/a

"Ashok Leyland Limited Q3 FY25 Earnings Conference Call"

February 12, 2025

MANAGEMENT:	**MR. SHENU AGARWAL - MANAGING DIRECTOR & CEO, ASHOK LEYLAND LIMITED**
	MR. K. M. BALAJI – PRESIDENT FINANCE & CHIEF FINANCIAL OFFICER, ASHOK LEYLAND LIMITED
MODERATORS:	**MR. CHIRAG JAIN - EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to 3Q FY25 Earnings Conference Call of Ashok Leyland Limited hosted by Emkay Global Financial Services.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the '*' then '0' on your touchtone phone.

I now hand the conference over to Mr. Chirag Jain from Emkay Global Financial Services. Thank you and over to you, sir.

Chirag Jain: Thank you, Steve. Good evening, everyone. On behalf of Emkay Global, I would like to welcome you all to the 3QFY25 Post Earnings Conference Call of Ashok Leyland Limited. Today, from the management team, we have with us Mr. Shenu Agarwal, Managing Director & CEO, and Mr. K. M. Balaji, Chief Financial Officer.

I will now hand over the call to Mr. Shenu Agarwal for his "Opening Remarks", post which we will open the floor for Q&A. Over to you, sir.

Shenu Agarwal: Good afternoon, ladies and gentlemen. Thank you for your continued trust in Ashok Leyland. I am pleased to report our company's performance for the quarter ended December 24. Our focus has been on profitable and sustainable growth through levers of product premiumization, cost leadership, and expansion of service reach.

In Q3, we have continued to consolidate our position in that direction. Our net profit in Q3 FY25 jumped 31% on a YOY basis. Our EBITDA margin improved to 12.8% from 11.6% in Q2 of the current fiscal, and from 12.0% in the same period last year. The MHCV industry, which had slowed down in Q2, gained strength in Q3, led by a pickup in consumption demand during festive season and better flow of government CAPEX in the second half of the quarter. As a result, Q3 FY25, domestic MHCV TIV was sequentially up by 10%. While on YoY basis, the industry was still down 1%. But compared to Q2 YoY degrowth of 12%, this is a major comeback. Q4 industry momentum is good, with January already recording positive industry growth.

Ashok Leyland Q3 FY25 domestic MHCV volume at 26,838 numbers was lower 1% YoY in line with the industry. Domestic MHCV trucks volume was at 22,796 numbers, lower by 2% YoY and MHCV bus volume was at 4,042 numbers, higher 5% YoY.

Ashok Leyland continues to retain 30% plus market share in domestic MHCV market. Our nine-month ended December 24 market share stood at 30.4%. We remain committed to achieving our MHCV market share goal of 35% in the medium term.

Ashok Leyland, LCV domestic volume in Q3 FY25 was at 15,415 numbers, lower by 9% YoY. In the addressable 2 to 4 ton market, AL market share was 18.5%. With the launch of Saathi, we are committed to improve our market share to 20% in the short term and 25% in the medium term. Our latest LCV product Saathi, which was recently launched at the Bharat Global Mobility Expo at New Delhi and is our first offering in the entry level mini truck market. Q3 also proved to be a milestone quarter for us as we crossed 1,000 MHCV touch points and 800 LCV touch points.

The export volumes registered a growth of 33% in Q3 on a YOY basis. Our export business is driven by our continued focus on export-specific products and our strong local presence in GCC, SAARC, and African markets. For the nine-month period ended December 24, export volume was 19% higher on a YOY basis. Our export order book for Q4 is also very robust.

Our non-CV businesses also witnessed good growth momentum. Engine volume was higher by 3.5% and spare parts revenue was higher by 14% on YOY basis.

Ashok Leyland recorded all-time high Q3 revenues of Rs. 9,479 crores vis-à-vis Rs. 9,273 crores in Q3FY24. EBITDA again was a record for Q3 at Rs. 1,211 crore. EBITDA margin at 12.8% was better than 11.6% in Q2 of current year and also better than 12.0% in Q3 of last year. Operating PBT at Rs. 994 crore was higher by 10% YOY. The reported PAT at Rs. 762 crores was higher by 31% YoY.

Material cost as a percentage of revenue was at 71.5%, lower than 72.2% in Q3 last year. This was achieved by our continued focus on material cost savings.

Our balance sheet and cash position have grown stronger. At the end of last quarter, we were cash positive at Rs. 958 crore. As compared to a net debt of Rs. 1,747 crore at the end of Q3 last year, this is a major positive swing in our cash position. CAPEX for the quarter was Rs. 179 crores and cumulative for the year is at Rs. 486 crores.

The reverse merger of Hinduja Leyland Finance with NDL Ventures is on track. As mentioned earlier, this is likely to be concluded by the end of Q1FY26. Both Hinduja Leyland Finance and Hinduja Housing Finance are growing well with assets under management at end of December quarter at Rs. 44,400 crores and Rs. 13,400 crores respectively recording year-on-year growth of 26% and 43%.

Switch and OHM, our EV subsidiaries, are progressing as per plan. Switch Mobility unwheeled Switch EiV12, a cutting edge low floor electric bus tailored for the Indian market. At the end of Q3 FY25, Switch India had an order book of more than 1,800 buses, including exports order of 100 buses from Mauritius. Switch eLCVs are also gaining momentum with monthly run rate now at over 100 numbers. OHM, our eMaaS subsidiary is operating more than 600 buses with fleet availability of 98% plus.

Ashok Leland Board of Directors has approved further investments of Rs. 200 crores in Hinduja Leland Finance and of Rs. 500 crores in Optare, the holding company of Switch. This is to support capital adequacy needs of Hinduja Leyland Finance and CAPEX requirements of Switch.

With the electrical bus market in India expected to grow, Switch India is seen rightly positioned to benefit from the opportunity. However, the outlook for the electrical bus market in UK continues to be uncertain. In view of these trends, we are providing due focus to the India market and concurrently evaluating available options for the UK. Europe, however, continues to offer good potential. We are happy that the first few units of the latest E1 buses from Switch, designed specifically for the European market, have been delivered to Spain. We also hope the new E1 bus will capture the GCC market in the future.

At the Auto Expo in January 2025, we had displayed countries' first concept of an electric-port terminal tractor. Also we displayed country's first 15 meter bus with air suspension and front engine with industry first capacity of 42 sleeper beds. At the show Switch displayed a concept electric truck in the 7.5 ton GVW range, again first of its kind in the Indian market. All these products would go in commercial production within the next 9 to 12 months.

Ashok Leyland will continue to focus on product and process innovation to meet dynamic customer and market needs and to maintain its technology leadership positions in both ICE and the alternative fuel space.

On the customer service side where we are now working on a mission mode to set up world-class infrastructure and processes, we further launched multiple initiatives to enhance our customer experience, transforming our service workshop operations and enhancing our breakdown and at-site support. Many of these improved processes are backed by analytics and AI-led solutions.

Ashok Leyland made significant progress on its ESG commitments as well. I am proud to share that Ashok Leyland has been ranked number one globally in the heavy machinery and trucks category by Sustainalytics. Our ‘road to school’ and ‘road to livelihood’ programs continue to grow extending their reach to about 5 lakh students now, with 92,000 students being added this year and targeting to add another 100,000 students in FY26. We made significant progress towards RE100, improving from the level of 61% at end of FY24 to 68% now.

Ashok Leyland is making good progress towards all its medium term goals, which are as follows.

a) Achieve mid-teen EBITDA
b) Achieve MHCV market share of 35%
c) Substantial growth in our non-MHCV businesses
d) Leadership in alternate fuel vehicles
e) Value unlocking from subsidiaries

f) Leadership in ESG.

The union budget for FY26 has been encouraging. The focus of the union budget on boosting consumption demand while continuing to push infrastructure buildup is favorable for the growth of core industries. Pickup in consumption demand would be positive for segments of LCV, ICV, and haulage, and healthy growth in core industries would drive the momentum for MHCV trucks. We believe that FY26 would witness growth in all the CV segments, LCV, ICV, and MHCV.

Thank you very much for your patient hearing. I now hand it over to moderator for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on their desktop telephone. If you wish to withdraw yourself from the question queue, you may press '*' and '2'. Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: Hi, good evening and thank you for taking my questions. My first question is just around industry growth. So, I think previous quarter, I think the expectation was that on a full year basis, FY25 might be closer to sort of flat volume growth for the CV industry. And for that to happen, I think the fourth quarter potentially will be 4% or 5% volume growth. I think January has started off, as you said, slightly better than that. So, I just want to understand how you are thinking about, is there any upside optionality or downside risk to this flat volume growth for FY25 the way you are seeing it? And how that leads your view into what potential magnitude of growth you would expect in FY26 as things stand?

Shenu Agarwal: Yes, Chandramouli, thank you for the question. Actually, the way we look at it is Q1, the industry had grown 4% to 5% and then Q2, it was down roughly 12%. And then Q3, while it is still slightly negative, but it is a major comeback from where we were at Q2. Because at the end of Q2, there was a lot of pessimism whether this is the start of a new down cycle. While we maintained our outlook that it was temporary, the Q2 phenomena was mainly because of the slowdown in CAPEX and also because of some erratic rains that we had experienced in some parts of the country. So, we were very hopeful that it should come back. And I think Q3 kind of proved that. Like I said, while it was still slightly negative, but then, January is already behind us. January, we have seen a positive growth and February and March are looking better. So, while on YOY, we are still (-1%) on MHCV for the nine-month period, but we think Q4 would be positive. And yes, and if this continues into Q1 and Q2, then even next year could look strong.

Chandramouli Muthiah: Got it, that's helpful. My second question is just around, I think this margin upside that we've seen this quarter from CV companies operating in the Indian market. I think the last two quarters, we had YOY ASP declines, but our ASP at sort of a console level, this is up 4% YOY this quarter. We've had similar volumes quarter-on-quarter, but margin has been much better quarter-on-quarter. So, just trying to understand what the factors were in delivering some of this margin upside this quarter?

K. M. Balaji: Chandramouli, Thanks for your question. This quarter has witnessed quite a good mix both in the truck side as well as on the bus side. That has only resulted in a higher ASP as you are observing. The mix has been quite good especially with good pick up on the multi-axle vehicles and the tipper segment volumes. So, both these are much better sequentially, that is what is getting reflected. Of course, there has also been an increase in the ASP of the buses side also. Buses side we have got good revenue. That has also got reflected in the overall revenue. That is why you are seeing the ASP in this month quite good. On the margin side - actually margins are more driven by the cost reduction measures, which we have been doing for quite some time now. Last two years, we have also shared this in the previous calls, last two years has been quite good. Now we have, we ended up with a good Rs. 650 plus crores of cost reduction each year and this year also we are continuing on the cost reduction measures and on top of all these things the steel price, the commodity prices have been quite good in this quarter. That has also added to a significant portion to the bottom-line. So, you are seeing a confluence of all these benefits getting reflected in the margin.

Shenu Agarwal: Just to add on to that, while MHCV and LCV volumes were like more flattish or more similar, but our other businesses, which are more profitable businesses like Power Solutions, Defense, spare parts, they had good levels of growth in Q3 as well. Especially on the IO side, which is more profitable business, we had a growth of 33% in Q3. And Q2 growth was like 14% or 15% on YOY. So, I think other engines are also firing well, which are better for our margins.

Moderator: Sorry to interrupt, Mr. Chandramouli, can you please come back in the queue for further questions?

Chandramouli Muthiah: Sure, thank you.

Moderator: Thank you. The next question is from the line of Binay from Morgan Stanley. Please go ahead.

Binay: Hi, team. Thanks for the opportunity. Just continuing actually on our previous chat, if you look at gross margin versus mix, ideally this quarter we should have had some gross margin expansion when we talked about product mix is better with more trucks, less buses, exports were very strong. But our gross margin has actually come down quarter over quarter. And a lot of the margin expansion is coming from other expenses being down on a YoY basis. So, could you just help us tie this up that why is the gross margin not showing the expansion and is this other expenses YOY declined despite a revenue increase sustainable? Maybe defense has something to do that defense has fallen this quarter or something?

K. M. Balaji: Actually, a portion of the material cost reduction was taken away as we have also witnessed an increase in the prices of rubber. We had to concede a bit of the increase on the rubber side. So, that could have also got reflected on the gross margin. As well as your observation on other expenses YOY, we have been able to contain the cost in a better way. That's all I can tell you. Especially some of the variable costs like the production overheads, selling overheads, delivery charges, and the administration overheads - all this we have been able to contain. We have a better cost monitoring mechanism which helps us to monitor these things in a better way.

Binay: And sir, how has defense done for us this quarter? Like any percentage revenue mix or because the earlier quarter that was weak. So, how has it done this quarter?

K. M. Balaji: Defense revenue has been about Rs. 100 crores this quarter as against Rs. 150 crores in the previous quarter.

Binay: Yes, so that in a way would have hit your gross margin.

K. M. Balaji: Yes.

Binay: And secondly, just in the opening remark, we talked about net cash, and we talked about two investments. So, the net cash is post this Rs. 700 crore investment that we talked about?

Shenu Agarwal: No, this is before the investment.

Binay: Could you repeat that number again for net cash? What is the number you gave?

K. M. Balaji: 958 crores.

Binay: And sir, just lastly on just two trends we are seeing, bus volumes being very strong in the last few years was supporting profitability. They've started to sort of growth has gone in the last 2-3 months. Whereas exports have seen a sort of pretty stellar growth, 33% and in the previous conference call, you had talked about a 50,000 target for exports for the company eventually. So, could you comment a little bit about these two trends that we are seeing, slowing bus growth? I know base is getting tougher, but how do you see that going ahead and at the same time sustainability of this export jump that we've seen? Thanks.

Shenu Agarwal: This growth slowdown in bus demand is a temporary thing - overall, there is a huge pent up demand still available in the market. Whether it is STUs or MDVs or even ICV buses, we still believe that bus is a story which will continue to be favorable. Not just like next year, but probably for at least two years or so. So, this is just a temporary thing because sometimes a confluence of lot of STU orders come in and sometimes, they don't. But Q4, I mean, we have an order book of like 4,000 buses already, which will be not supplied in Q4, but they will be supplied over next six months or eight months or so. But these are like confirmed orders we have in hand. So, nothing to really worry about on the bus. I think we will continue, the market will continue to be good. And you have seen we have already grown to 38% plus market share on buses. So we will continue to have our leadership position intact also. Your other question was about exports, right?

Binay: Yes.

Shenu Agarwal: So, exports also, in the long run, our target is to achieve 50,000. But in the medium run, we want to achieve a number of 25,000. This year we are hoping that we will end up close to 15,000. That is the least we are stretching to achieve right now, although the gap is a little bit on the higher side, but we are still very confident based on the order book that we should be close to that number. So, that would be a very good growth when we compare our export volumes of last year of roughly 11,800 numbers or so. So, export journey is actually very good. And like I said before, this is a result of some recent efforts, but more credit I will give to the actions that Leyland had taken several years ago - when we really solidified our position in some of these markets by investing into manufacturing assembly facilities, investing into local branch offices, positioning people locally so that we have a better understanding. And that is the reason in some of the markets like UAE or Bangladesh, Ashok Leyland is like a formidable brand in the CV business. So, as long as we continue to put in more products now, since we have a very strong brand and a strong distribution available in some of these markets, as we continue to put in more and more products, I think you will see our export volumes going up. But just to summarize, 25,000 medium term target, we should be around 15,000 this year, for another 2 years or 3 years you would try to reach that 25,000.

Binay: Great. Thanks, team. I appreciate the response.

Moderator: Thank you. The next question is from the line of Pramod Kumar from UBS. Please go ahead.

Pramod Kumar: Thanks a lot for the opportunity, and congratulations on excellent operational metric. So, my first question is regarding the non-vehicle revenue mix as to how should we see it going forward because this quarter you had a defense decline? I can understand it could be lumpy. But how do you see the near term non-vehicle revenue piece in terms of especially the kit supplies to defense and other different supplies? Because they kind of come with higher margins. So, how should one look at that particular piece evolving over the next 1 or 2 quarters?

Shenu Agarwal: I think I can just say that defense business will continue to surprise all of us. Our pipeline is really very strong. Although in Q3, we had a major blip because some of the orders got pushed out. But I am not just talking about from the Q4 perspective, I am talking about like next 3 or 4 quarters. You will see a good jump in our defense business.

Pramod Kumar: And if you can just help understand, because everyone's worried about the cyclicality of the business and whether we are in a down cycle, up cycle, we don't know. So, if you can just help us understand at this point of time, how much is the revenue component which is not cyclical, which is basically domestic, basically what the percent of revenue coming from excluding domestic trucks, including international, including buses and everything. If you can just help us understand, we used to share this historically back in the time. But if you can just help us, where are we there? Because that kind of gives us an idea as to what piece of the business is going to remain resilient. And the rest, of course, it depends on the macro and the recovery and freight rates and all that. So, if you can just help us understand that better, sir?

K. M. Balaji: Pramod, regarding the CVs, I can tell you that including the LCV the revenue share is about 80%. The rest 20% comes from the spares, engines, exports, defense.

Pramod Kumar: And if I were to include LCV and buses in this side, Balaji, I mean, because they are not that cyclical, and ideally, they should do well, especially with the LCV portfolio expansion, what you are doing. So, anything there which you can share, if you don't mind?

Shenu Agarwal: Normally, purely domestic trucks would be, I think, 55% to 60%.

Pramod Kumar: 55% to 60%, so the percentage exposure has kind of come down over the years.

Shenu Agarwal: But within that also, I mean, if you just put it into different segments, I think the ICV industry is not that cyclical as the heavy-duty truck is. So, ICV comprises of about 25% of the overall domestic truck. So, you can then do the math and see how it is.

K. M. Balaji: Buses and the LCV constitute about 23%-24%.

Pramod Kumar: Okay, so effectively, a big chunk of the business is not that deep cyclical anymore. And even the cycle, the nature of the cycle has changed. We are not seeing that sharp up move and down move as such. But Shenu, I believe you guys are constructive on CV demand incrementally, so is Volvo Eicher, so is Tata. So, if you can just help us understand when you look at 4Q, are you looking at the industry level to for you to grow on a year-on-year a basis, despite the higher base? And from when you look at FY26, do you expect the volume momentum to be more back-ended? As to when you are doing the business planning, how are you looking at the, looking at the FY26 period? Because there's a lot of concern around whether FY26 will be a big volume correction again, or very muted, or a small decline for that matter. So, if you can just help us understand how you are navigating the business planning side for FY26?

Shenu Agarwal: Yes, we don't think we have a very high base actually, because last three years, industry has been more or less within a range, quite flattish. Of course, FY23 we saw a big jump, but FY24 and 25 have been like very similar range. So, we think that, FY26, at least first half we have good visibility now. We think the market should be positive. Q4, we are already getting some good signals. January was positive. February is definitely looking positive. So, we are very hopeful that FY26 should be a growth year right now. Of course, maybe later sometime we can give you more specific projections on FY26. I have been saying this on the calls before, that we will all be surprised the way cyclicity in this market will behave in the future. I mean, being in India, I don't think it is right to look at cyclicity of the past and project the same thing in the future. India is going to be very, very different market. If you look at penetration rates in India of trucks and compare those with any other country, China, US, Europe, we are far behind. So, there India wood need many more trucks. The replacement demand has to be strong. I know it has not triggered itself in last couple of years that much, but it has to be kind of strong in the future because we are at the all-time high aging. Most of the customers I meet in the market are very clear. They are realizing more and more that they have to replace the truck at a certain given point in time, because after that, it becomes a losing proposition for them, especially with the large fleet owners on contracted freights etc. I think interest rate reduction, general upbeat on the economy, consumption demand - we don't see any reason that anything adverse would happen. We only see an upside. Now how much it will be, we will come back to you in maybe another 30 to 45 days' time.

Pramod Kumar: Thanks a lot, Shenu. And just one quick clarification, the price discipline holds in the industry?

Shenu Agarwal: I am sorry. can you say that again?

Pramod Kumar: The price discipline in terms of discounting, there's no cutthroat competition as such, right? Or we see some improvement or?

Shenu Agarwal: Actually in January, we have been able to improve both on the pricing and slightly on the mix as well. On the mix side, definitely we have more headroom. Because in the last couple of years, we had lost a bit on the tipper side and on the MAV side because of some internal issues, some gaps in the products. But now those are behind us. So, I think what we are looking at now is good growth in tippers and multi-axles, which are much more profitable for us than the rest of the segments.

Pramod Kumar: Great response. Thanks a lot, Shenu. Wish you guys all the best. Thank you.

Shenu Agarwal: Yes, thanks. Bye.

Moderator: Thank you. The next question is from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh: Hi, good evening and thank you for taking my question. My first question was around the budget business which you spoke about that you are quite confident in the coming quarters and yet it should continue to do pretty well given the pipeline which you are looking at. Now looking at the budget allocation from the government for vehicle procurement for the defense forces, it's lower for next financial year compared to the current financial year. So, do you think that could create a headwind for you or do you have enough visibility on your pipeline that this growth could continue to expand?

Shenu Agarwal: Are you talking about the defense side?

Kumar Rakesh: Yes.

Shenu Agarwal: Overall budgetary allocation to defense does not really matter too much for us. Basically, we have been supplying mobility solutions only. We are not into the rest of the areas. On the mobility solution the market just depends on the replacement demand more or less. Now Indian Army and defense forces have a large fleet of our trucks. I think the number is close to 70,000. And many of these are now beyond their productive age. And therefore we expect that in the next 3 to 4 years, and this is what we are also hearing from the ministry, that about 10,000 to 12,000 new trucks would be required. So that is what is building our confidence. And some of these orders are also coming in as we speak. So that is what drives our confidence on the defense business. And even beyond these 3-4 years, the rest of the trucks would again start aging. Right, so this is kind of a cycle which is very beneficial to us.

Kumar Rakesh: Great, thanks. My second question was on the Switch investment which you are making in the quarter. So, last quarter you had spoken about that in second half, you would need about 500 crore of investment, which is what you have already announced. So, it's fair to expect that for now, the investment is done? And also, you were looking at a bit of break even in the business this year. So, where are we trending on that?

Shenu Agarwal: Yes, you are right. We had said earlier that we would probably be making about Rs. 500 crores, so that is what we are doing now. Switch India going forward should be EBITDA positive. Now it can happen Q1 or latest Q2. So, that is quite in sight. It just depends on our ability to fulfill all the orders we have in hand. And the order book is roughly 1,800 plus now that switch has. So, we are quite strong on the order book and the margins are good. So, all these buses would be supplied in I would say the next 12 months to 18 months. So, that is on the Switch India side, but Switch UK side, the market itself is not doing very well. The government policies and other issues around the EV adoption have not been taken care of. And therefore, EV market is still kind of, very, very subdued in UK against our expectations 2-3 years ago. So, we are evaluating the options for Switch UK because there we are making losses. And also, given that the market conditions are not okay, we have to kind of do some rationalization of Switch UK in terms of reducing the losses. Also, there is a debt there in Switch UK which we want to pare down because the market outlook is not very good. We are evaluating various options on Switch UK, but as far as Switch India is concerned, we are very, very positive. Switch India is actually going to be something that will be very value-accretive to Ashok Leyland, that is what we believe at this stage. Although we are not looking at listing it in any near future, I think that part would be still 2 to 3 years away because we would like to expand volumes, we would like to expand technology, mature the technology, have a broader product range etc. Overall, we are very happy with the way Switch is moving.

Kumar Rakesh: Great, thanks a lot for that answer.

Moderator: Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Good evening sir and congratulations on a very strong performance in a tough quarter. Just one clarification on the previous question. This Rs. 500 crore investment is going in Switch UK or Switch India?

Shenu Agarwal: The way Switch is structured is that we have the holding company which is in UK which is called Optare and below that we have Switch UK and then we have Switch India. So, of course this investment is going into Optare - a part of that will flow into Switch UK and some part may flow into Switch India for CAPEX needs.

Kapil Singh: Okay, because you seem to say that there is some uncertainty there. So, I was just wondering why we are making this investment right now?

Shenu Agarwal: Like I explained, we want to pare down the debt. We have some debt in Switch UK, so we want to pare down. We are trying to reduce all the costs there including the interest burden on Switch UK. Also, the rest of the money could flow to Switch India for their CAPEX.

Kapil Singh: I understand. My question is on the financing side, we have seen pretty good performance by Hinduja-Leyland finance with improvement in segmental results as well. So, just want to understand how is the financing situation for commercial vehicles and we heard or read about certain problems in financing, either on personal loans, two wheelers. So, just trying to understand, if you could give some perspective on this?

Shenu Agarwal: There is no significant change on the financing side really, both on MHCV and LCV side. There's nothing to really worry about. We don't see anything, any major shift on the financing side.

Kapil Singh: Okay, and the second question is on LCVs. I think you mentioned close to achieving 20% market share in the near term. Is that on the overall LCV where currently we are at about 11%, so if you could just talk us through how you are thinking about gaining market share or what are the salient points of the new product that we have launched?

Shenu Agarwal: Right now we are still looking at 2 to 4 ton as far as market share is concerned. So, in the shorter term we want to achieve 20% and then in the medium term we want to achieve 25% but that is within the 2 to 4 ton market. Now coming to the rest of the market where we are not participating as of now as I have been telling that we participate only in about 50% of the overall LCV market. Our goal is to cover about 80% of that market. So, SAATHI is the first attempt where we are, although we have positioned technically at 2.2, positioning this as a premium product in the entry level pickup truck market. Right, so that is the first attempt, but you will see many more launches and many more products that will be coming in the future, which will take us from this 50% coverage to about 80% coverage. So, that roadmap is very clear. Many of these projects are under progress. So, as time progresses, you will see some of those launches happening.

Kapil Singh: Okay, thanks and wish you all the best.

Moderator: Thank you. The next question is from the line of Amit Hiranandani from PhillipCapital. Please go ahead.

Amit Hiranandani: Thanks for the opportunity and congrats to the team for good operational performance. Sir, my first question is basically the quick commerce segment is emerging very fast. So, do you see a positive or a negative impact on any of our segments?

Shenu Agarwal: No, it will only mean positive developments on the last mile mobility and somewhat to the medium mile also. So, I think ICV and LCV segment should get benefited with all this positive news on Q-commerce.

Amit Hiranandani: Right. Then my second question is on the what will be the growth drivers and the company strategy especially on the LCV side and continuing with that where do you see the product gaps and largely in which segment and would you like to share any launch pipeline for the next 2 to 3 years please?

Shenu Agarwal: Yes, as I just explained, we have two mission objectives on LCV. One is that right now we are at 50% of the market coverage. We want to expand that to 80% coverage. Now, of course, that will take us about 3 to 4 years to go there because of the gestation period in developing new products. But that roadmap, that product roadmap internally in Ashok Leyland is very clear. Saathi was actually the first major change where we are trying to address that sub 2-ton markets. Although technically speaking, we have placed the product at 2.2 ton, which is at the border of sub 2-ton. But we wanted to start with addressing the customers who are upgrading from sub 2-ton to 2-3.5 ton. So, we have strategically positioned ourselves there. Now in future, we will go both downwards, like more towards more entry level and and also we will go upwards. Right now, we are at 2 to 3.5, but we see that there is a huge potential in products between 3.5 to 5 ton and also in 6 to 7.5 ton, right. So, all those plans are in place. Like I said, Saathi is the first launch. Within the next 2 or 3 years, you will see some major launches from Ashok Leyland in the LCV segment.

Amit Hiranandani: Lastly, as per your assessment, how much presently is the impact of DFC on the CV industry?

Shenu Agarwal: There would be some impact like we spoke last time also, but it would take a long, long time and the impact would be like gradual. As there are a lot of challenges in setting up DFCs, in making the right proposition for the customers, then there are a lot of challenges - like you need to go from point A to B but once you reach B, how do you go forward? So all these things will take a lot of time to really kind of create an impact. So I think this will be small and this will be a little bit in more long-term.

Amit Hiranandani: Great sir, all the best. Thank you so much.

Moderator: The next question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf: Good evening and thank you for the opportunity. My first question is on the tipper segment. When I look at your volumes in 3Q, sequentially tipper seems to have grown significantly. So, is this, can you, could you kind of comment more on this? Is this more just a seasonality or are you seeing some significant revival in the space?

Shenu Agarwal: Not exactly. What has happened like I explained earlier, if you look at our last four or five or six quarters of tipper volumes, you will see that we had substantially degrown in our tipper segment. And there were some specific issues, some specific gaps that got developed in our tipper range, which we have now addressed since last 3 months or so. So, now onwards, you will see that our tipper volumes will continue to grow. And thankfully, this is a segment where the margins are much better than the rest of the segments. So, that is also margin-accretive to us. You will see that continuous growth in our volumes, I mean, disproportionate growth in our volumes in tipper.

Mukesh Saraf: Okay, so we can expect you to kind of gain back some of that market share loss in this?

Shenu Agarwal: Yes. Roughly we were close to 29%-30% about two years back. Now we are at 23% or so. So, we have this 7% headroom on market share in tippers.

Mukesh Saraf: Well, got it. And I think, secondly, you alluded something on pricing, but could you give, say, some more details? What was the net price realization increase in 3Q, ex off discounts etc.?

K. M. Balaji: Can you repeat your question, Mukesh.

Mukesh Saraf: In third quarter, what would have been your net realization increase sir? Pricing, net discounts..

K. M. Balaji: It has almost been flat. We tried to increase the prices, in one month we succeeded, but subsequent two months we could not succeed. But overall if you look at we would have remained flat as far as the trucks and buses are concerned.

Mukesh Saraf: Alright. Thanks for it, I will get back in the queue.

Moderator: Thank you. The next question is from the line of Joseph George from IIFL. Please go ahead. Mr. Joseph, your line has been unmuted. Please go ahead with your question.

Joseph George: Yes, I have two questions. Can you hear me now?

K. M. Balaji: Yes, Joseph.

Joseph George: Yes, so I have two questions. One is in relation to what you are hearing on the ground from fleet operators. Are there any cases of NPAs going up? And secondly, when you look at fleet utilization rates and freight rates, what are you seeing on the ground?

K. M. Balaji: If you look at the operating economics of the freight operators, it has been good. They are able to increase the freight rates. We are only witnessing a gradual increase in the freight rates. And we all know that fuel rates continue to be constant. And with now possible passing on of this quarter percent rate cut, EMIs are going to become lower. So, this augurs well for the transporters from the profitability point of view. And the utilization levels are also quite healthy. We are seeing this in terms of the volumes in the last 2, 3 years - it continues to be around the same level of 350,000 to 370,000 vehicles. So, all this augur well, for the entire demand outlook, both on the utilization side, as well as on the profitability side.

Joseph George: Alright, okay. And the second question that I had was in relation to Optare. So, right now you said that things are challenging. Can you let us know what is the annual catch-burn that you are seeing in Optare?

K. M. Balaji: It's very difficult to quantify because volumes keep fluctuating there.

Joseph George: Okay, but the last 2-3 years you have seen a lot of fluctuations in your revenue numbers, but is it right to assume that the last 2-3 years it has never been FCF positive as such?

K. M. Balaji: You are talking about Optare per se or you are talking about...?

Joseph George: I am talking about Optare PLC, the UK operation.

K. M. Balaji: Optare PLC, it depends on the volume in UK. Sometimes volumes come, sometimes they don't. In case if volumes are there, then we are able to get good margins. In case if volumes are not there it becomes tough. See, what has happened in the last year there has been a good increase in volumes of diesel vehicles, it has grown by more than 100%. When you look at the growth percentage, it will look very good, 100, 120%. But if you look at the numbers, it will still be small. It will be around 300 vehicles to 500 vehicles. The market itself is like that. And on the electric vehicle side, there has been a drop of 30% on the total volume. So, the volume itself is less than 1000 there.

Shenu Agarwal: Actually, lack of consistency is the real problem. We have a factory there in UK as you know, but sometimes the factory is idle and sometimes it is more than full. So, that is the issue. And then also while this company was conceived to be an electric company, last few months we have been producing diesel buses only because the electric demand is just about nothing. Right, so I mean, these are the situations we are trying to tackle as to how to eventually deal with this situation.

Joseph George: Understood, thank you.

Moderator: The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

K. M. Balaji: Jinesh, we are not able to hear you, Jinesh.

Moderator: Yes sir, Jinesh got disconnected. We will move on to the next question. It's from the line of Abhishek, an individual investor. Please go ahead.

Abhishek: The margin of 13%, are they sustainable?

K. M. Balaji: Margin is dependent on various aspects. It depends on, as we discussed earlier in the call, on the mix of the overall business with more contribution, more revenue coming from the non-CV side, especially the spare parts, defense and power solution business, as well as the mix within the business like within trucks higher volume, higher revenue share from the higher tonnage segments like the multi-axle vehicles, tractor trailers, tippers - if all this happen, then this kind of margin is sustainable.

Shenu Agarwal: And just to add Abhishek what Balaji just said, we have been actively working on lowering our breakeven volume. Because we know that we are in a cyclical industry and therefore we should be ready for a bad cycle also. And I am very happy to say that our breakeven volume, monthly breakeven volume, has reduced to more than half in the last couple of years. Now that gives us a lot of confidence that we would be able to sustain a good financial performance, even in bad cycles. Of course, if the cycle is good, then definitely 13% is sustainable.

Abhishek: Okay, thank you.

Moderator: The next question is from the line of Sanket from Ashika Stock Broking. Please go ahead.

Sanket: Thank you for the opportunity, sir and congratulations on good set of numbers. Sir income from operations from subsidiaries is somewhere around Rs. 938 crores. So, can you give us a segregation on which subsidiary is contributing the major section over here?

K. M. Balaji: Income from?

Sanket: Subsidiaries.

K. M. Balaji: If you are looking at a consolidated number, we will give you later. We don't have that number readily with us.

Sanket: Okay, so can you provide us like what is the revenue share of Switch under consolidated?

K. M. Balaji: Revenue share of Switch will be…one minute.

Shenu Agarwal: Better to get back to. We don't have the table right now, but we will get back to you.

Sanket: No problem, sir. So, my second question is, so government is planning to mandate AC cabins in commercial vehicles starting from October this year. So, do you look in any pre-sales happening in Q1 of FY26?

Shenu Agarwal: I am sorry, you will have to repeat the question. We couldn't get it.

Sanket: Sir, I mean government is going to mandate AC cabins in commercial vehicles.

Shenu Agarwal: Yes, so AC cabins are coming into effect from 8th of June, I think. So, first week of June. And the cost delta because of this new regulation is marginal. So, it is not something that will influence the market. That is what is our opinion.

Sanket: Okay, sir. Thank you, sir. That's all for my sir.

Moderator: Thank you. Ladies and gentlemen, this will be our last question. It's from the line of Jay Kale from Elara Capital. Please go ahead.

Jay Kale: Yes, thanks for taking my question. So, my question is on the replacement demand. I mean, we have mentioned that the average age of the holding period of the vehicle has moved up and hence eventually the replacement demand should kick in. But what we also hear is that because of the price increases that we saw over the last three, four years because of emission norms etc., the tenure of the loans of the CVs have also moved up to cover for that price increase. And hence, structurally, there is an increase in the average holding period. And hence, the replacement demand may not be as fast as what we are expecting. Has that played out in the last one or two years? And how do you see that impacting the replacement demand going forward?

Shenu Agarwal: Yes, it has played out, you are right, Jay, that the cost has gone up and because of that the tenure of the loans have gone up.

Jay Kale: Okay, understood. And so, in the last one, one and a half year, how would you have seen the replacement growth versus I mean, have you seen acceleration of replacement growth and the first time buyer growth probably has softened or how have you seen that trend?

Shenu Agarwal: Yes, definitely two trends we are seeing, although they are not like they are quite gradual. But two trends is that we are seeing a shift from Individual to fleets. That is one and the other is replacement demand is also becoming a better contributor to the overall demand.

Jay Kale: Understood. Great. Thanks, and all the best. That is all from my side.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's Conference Call. I now hand the conference over to the management for the closing comments.

Shenu Agarwal: No, thank you very much and thank you for your continued interest. We are well positioned on our journey, our midterm goals, which is around EBITDA, market share etc. So, we are very, very focused on that and we assure you that we will do our best to continue on this path. Thank you very much.

K. M. Balaji: Thank you.

Moderator: On behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.