May 28, 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 May 23, 2025 to discuss the audited financial results for the quarter and year ended March 31, 2025.

Meeting start time - 6.30 p.m. IST
End time – 7.30 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: 2025.05.28 12:44:27 +05'30'

N Ramanathan
Company Secretary

Encl.: a/a

"Ashok Leyland Limited
Q4 FY '25 Earnings Conference Call"
May 23, 2025

MANAGEMENT: **MR. DHEERAJ HINDUJA – EXECUTIVE CHAIRMAN – ASHOK LEYLAND LIMITED**
MR. SHENU AGARWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ASHOK LEYLAND LIMITED
MR. K.M. BALAJI – PRESIDENT, FINANCE AND CHIEF FINANCIAL OFFICER – ASHOK LEYLAND LIMITED

MODERATOR: **MR. RISHI VORA – KOTAK SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Ashok Leyland Limited Q4 FY '25 Earnings Conference Call hosted by Kotak Securities Limited. 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 this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

Now I hand the conference over to Mr. Rishi Vora from Kotak Securities. Thank you, and over to you Mr. Vora.

Rishi Vora: Thank you. Good evening, and we welcome you all to the Q4 and FY '25 Earnings Conference Call of Ashok Leyland. Today, we have with us Mr. Dheeraj Hinduja, Executive Chairman; Mr. Shenu Agarwal, Managing Director and CEO; and Mr. K.M. Balaji, President, Finance and CFO from Ashok Leyland.

I would like to inform you all that the call is being recorded and the audio call and the transcript will be available at the company's website. I would now like to invite Mr. Dheeraj Hinduja for his opening remarks. Over to you, Mr. Hinduja.

Dheeraj Hinduja: Thank you. Good evening ladies and gentlemen. It gives me immense pleasure to share our company's performance for the quarter ended March 2025. This has been truly a remarkable year with the company's achieving historic highs in revenue profit and profitability. We remain committed to our journey of profitable and sustainable growth through levers of product premiumization, cost leadership and expansion of service reach.

In Q4, we further consolidated our position in that direction. Our net profit in Q4 FY '25 jumped 38% year-on-year. Our EBITDA margin for the quarter at 15% is the highest ever quarterly EBITDA margin.

Coming to domestic MHCV, industry volume was almost in line with our expectation at the beginning of the year. During the year, however, it was tricky in terms of how the industry volumes played out against estimates. In Q1, while the industry experts predicted degrowth, industry volumes went up. In Q2, when everybody turned bullish, industry volumes fell more than 10%. In Q3 the fall decelerated before full throttle up move in Q4. In Q4, domestic MHCV TIV was up 27% sequentially and 4% year-on-year. For FY '25 industry volume was at same level as previous year, and this was remarkable turnaround and augurs well for FY '26.

Ashok Leyland Q4 FY '25 domestic MHCV volume at 36,053 numbers was higher 4% year-on-year, in line with the industry. Domestic MHCV truck volume was at 29,089 numbers, higher 4% year-on-year and MHCV bus volume was at 6,964 numbers. For the year ended March '25, domestic MHCV volume was at 114,789, lower 1% year-on-year, with trucks at 93,540 lower by 5% and buses at 21,249, higher by 18%.

Ashok Leyland continues to retain 30% plus market share in domestic MHCV market. For the year ended March '25, our market share stood at 30.9%.

Ashok Leyland LCV domestic volume in Q4 FY '25 was 17,660 numbers, lower 2% year-on-year. For the year ended March '25, volume was 65,049. In the addressable 2–4-ton market, for FY 25 AL market share was at 18.6%, lower than 19.3% in the previous year. Full benefits of the new product launches are sinking in, and we are further intensifying our product innovation to improve our market share to 20% in the short term and 25% in the medium term. In Q4, we had launched SAATHI, our foray towards sub-2-ton segment, along with 5 others expanding market coverage in terms of both loads carrying capacity and alternate fuel powertrain.

We continue to expand our domestic network. We added 108 MHCV touch points and 106 LCV touch points during the year, with most of the additions in North and East. As of March '25, Ashok Leyland network has 1,889 touch points Pan-India.

Export volumes registered a growth of 52% in Q4 on a year-on-year basis. For the year ended March 25, exports volume at 15,255 numbers was higher by 29% against 11,853 numbers in the previous year.

Our non-CV businesses also witnessed good growth momentum. On Q4, engine volume was higher by 9% and domestic spare parts revenue was higher by 15% on a year-on-year basis. For the year ended March '25, engine volume was higher by 2% and spare parts revenue was higher by 14%. Engine business growth was low single digits due to higher base effect created by CPCB norms prebuy in FY '24.

Defense revenue for the year was at same level as previous year. Order book for FY '26 is healthy.

Coming to financials. Ashok Leyland recorded all-time high Q4 and full year revenue, EBITDA, EBITDA margin and profit after tax. For Q4 FY '25, revenue was at INR11,907 crores, higher by 6% year-on-year. EBITDA was at INR1,791 crores, higher by 13% year-on-year. EBITDA margin for the quarter was at 15%. Operating PBT was at INR1,671 crores, higher by 14% year-on-year. Reported PAT at INR1,246 crores was higher by 38% year-on-year.

For the year ended March '25, revenue was at INR38,753 crores vis-a-vis INR38,367 crores for the previous year. EBITDA was at INR4,931 crores, higher by 7%, and PAT was at INR3,303 crores, higher by 26%. EBITDA margin was at 12.7% vis-a-vis 12% for the full year '24.

Material cost as a percentage of revenue was at 70.6%, lowest in last 8 quarters. For the period ending March '25, the ratio was 71.3% vis-a-vis 72.8% in FY '24. This was achieved by our continued focus on material cost savings and supported by softer commodity costs during first 3 quarters of the year. We expect commodity headwinds from safeguard duties on steel and impact of emerging global tariff dynamics.

Our balance sheet and cash position have grown stronger. At the end of the quarter, we were cash positive at INR4,242 crores against a net debt of INR89 crores at the end of the previous year. Capex for Q4 FY '25 was INR300 crores and investments in group companies was approximately INR200 crores. Cumulatively, for the year, capex was INR954 crores and investments approximately INR200 crores. Capex and investments together was lower at INR1,149 crores vis-a-vis INR2,060 crores in FY '24.

Key initiatives targeting customer experience and transforming service operations have started yielding results. In domestic MHCV, Ashok Leyland ranking has improved to number 1 in dealer satisfaction index and number 2 in customer satisfaction index and sales satisfaction index. Leveraging digital platforms, these initiatives will help us in our objective of product premiumization.

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

During the year, we launched several products across segments and powertrains. Key highlights for the year were 6 new products, including SAATHI and Leo in the LCV segment. iVAC, Intelligent Vehicle Acceleration Control, for improved economy and MHCV truck segment, cost-competitive fully-built Oyster CNG and Oyster V max in the bus segment, and 55-ton and 19-ton battery electric vehicle trucks.

We are working on several new products, some of them like EV terminal tractor and 15-meter AC coach, were showcased in the Auto Expo 2025 and would be ready for commercial production in current year.

We have made significant progress on the center of excellence focused on EVs. For the coming AC regulation, all our products in the affected segments are ready. Another highlight of FY '25 was inauguration of our bus manufacturing plant at Vijayawada. This, along with the new plant under construction at Lucknow would augment our bus body building capacity to deliver quality fully-built solutions to our customers.

Switch and OHM, our EV subsidiaries are progressing as per plan. Switch India business is doing exceedingly well. In Q4, Switch India made outright sales of 287 buses and 300 eLCVs, resulting in double-digit EBITDA of 12%. For year ended March '25, Switch India was EBITDA positive at 6%. At the end of the year, Switch India has an order book of 1,800 number. In FY '25, Switch Mobility launched Switch E1 designed for Europe and GCPs, and Switch EiV12 low-floor electric bus tailored for the Indian market.

OHM, our E-MaaS subsidiary, is operating more than 650 buses, with fleet availability of 98% plus. OHM is targeting to add 1,700 buses to operation fleet during FY '26. Part of these additions will be from the current order book of Switch India and remaining from the fresh win. OHM has all projects under execution at healthy double-digit IRR.

You are aware that the Board of Switch UK has given their approval to commence the consultation process with its employees which could potentially lead to cessation of manufacturing and assembly facilities in the Sherburn, UK facility. The consultation is progressing as per plan.

Ashok Leyland made significant progress on its ESG commitment. Ashok Leyland was ranked #1 globally in the heavy machinery and truck category by Sustainalytics. Our DJSI ESG rating has significantly improved by 144% in the last 2 years, and we are placed among the top 5%.

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 added this year, and targeting to add another 100,000 students in FY '26. We made significant progress towards RE100, improving from the level of 61% at end of FY '24, to 69% now.

For the year ahead, there's a lot of optimization on the ground and all key indicators are indicating growth. These utilizations are holding up. Freight rates and operator profitability are stable. Inflation is moderating, monsoon predictions are above average, and core sector growth estimates are upbeat. We are cautiously optimistic on supply chain benefits of global tariff dynamics accruing to our economic activity.

Continued government push on infrastructure projects augurs well for MHCV truck, particularly tippers. We believe that FY '26 would witness growth in all CV segments including LCV, ICV and MHCV goods and passenger.

I would also like to clarify one more aspect. In the previous call, there was a question on pledge of shares by the promoter company. I'd like to put this in perspective. There need not be any concern with reference to pledging of promoter shareholding in Ashok Leyland Limited. Every business / industrial house does treasury function, which, as you are all aware, includes leveraging its assets as well.

For the time being, as a short-term measure in a growing economy as part of the treasury function, the promoter company has pledged some portion of its shareholding in the company. Voting rights of the pledged shares continue to be with the promoter company.

As you may be aware that many promoter companies do pledge their holdings directly or indirectly through their holding company structure. We have never divested our shareholding in the company.

I would like to confirm that:

The financial position of the promoter company is robust and healthy.

Promoter company has several other assets as well, apart from shares of Ashok Leyland Limited.

Pledge is purely a treasury function and as a short-term measure.

Promoter company has always subscribed to all capital calls made by the company.

And the promoter company has always provided full support and will continue to provide all support to the company.

Thank you for your continued trust in Ashok Leyland. We will continue to march steadfastly towards the medium-term goals shared with all of you - achieve mid-teen EBITDA, achieve MHCV market share of 35%, substantial growth in our noncore, non-MHCV businesses, leadership in alternative fuel vehicles, value unlocking from subsidiaries and leadership in ESG.

I now hand it back to the moderator for any Q&A. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Chandramouli Muthiah from Goldman Sachs.

Chandramouli Muthiah: My first question is just around the industry outlook that you touched upon towards the end of the prepared remarks. Some of your peers have indicated that there could be single-digit volume growth in FY '26 for the CV industry at large.

I'm just trying to get your understanding on what you would expect for the MHCV segment, the bus segment as well as the LCV segment, just given that this year we've got AC cabin norms, you did mention steel, safeguard duties upfront, and also maybe lack of clarity around broader government capex. So just keeping all those factors in mind, I just want to understand what magnitude of growth you would expect for each of these CV segments?

Shenu Agarwal: Yes. Thank you for the question. More or less, we are in agreement with the estimates given by the peers. We also believe that this year could be a positive year for the CV industry. Last year was not so bad. But this year, we are seeing that a lot of macroeconomic factors should help move the industry in a positive direction.

We know that government capex, which had slowed down last year, is now back in shape. We do believe it will continue to expand from here onwards. We do know that monsoon estimates are pretty strong, so that should also help. We also understand that the core sector growth estimates are also positive.

And finally, we know that there is a pent-up demand that is available both in the truck and the bus segments, especially with the high ageing of the fleet. So, I think that if the macroeconomic factors act in the right direction, we should see a positive momentum in the industry.

Now Q4 has been positive at 4% of the growth in the MHCV segment. And that gives us a good signal of the times to come. Now Q1, specifically last year, has grown by 10%, as Dheeraj also said, in the MHCV segment. And therefore, we may not see that much growth in Q1.

But starting with Q2, because Q2 last year had a negative growth, large negative growth of 12% to 15% in MHCV, therefore, the growth in Q2 should be substantial. But like I said, overall, for FY '26, we are pretty optimistic.

Chandramouli Muthiah: That's helpful. And just as a follow-up to this question, if you could just give us some color on each of these segments, buses, trucks, LCVs, if you could give us your pecking order in terms of where you think there is more growth momentum available and where it might be relatively low?

Shenu Agarwal: Yes. I think a few of the segments should do better than the rest. The number one is buses. As I said, we still think there is a pent-up demand, although last year, last few years, buses have grown substantially. But still there is a lot of demand that will come out. This is both for STU and private. When we talk to various STUs, they are very gung-ho on their buying capacities or buying potential for FY '26. And same is the case with private. So buses definitely will stand out. I think, closely, it will be followed by the tractor trailer segment. We know that there is a lot of shift happening towards 55-ton tractor trailers. So that the segment should also continue to do well.

One segment which hasn't done that well last year was tippers. But with all the core sector activities gaining momentum, especially mining and construction, we think tipper segment should pose some positive surprise this year.

So, I think those are the two or three segments which should do better than others. But I mean, even on LCV, ICV trucks or MAVs, we don't see any headwinds right now.

Chandramouli Muthiah: Got it. That's helpful. My second question is just around the safeguard duties on steel that you had also called out in the prepared remarks, also the AC cabin norms which can potentially come through in October this year.

If you could just split out what is the rough cost inflation that, at this stage, you're expecting from both of these factors, and what that might mean for your medium-term margin goals in terms of timeframe and so on?

Shenu Agarwal: Yes. Quarter 1 seems to be a little bit challenging in terms of the commodity costs. AC is coming up as a regulation. The impact on the price could be anywhere between 0.5% to 2%, depending on the model. We don't think it will be a major problem in passing on these prices with immediate effect.

So we will, of course, we will navigate, and we will see how the market reacts to this. But I think most of the customers, at least what we know, are actually looking forward to this change. So drivers are more and more demanding AC trucks.

And even the operators are thinking that, to drive retention of the drivers, they need to provide them this extra feature or the extra comfort. So there is a lot of acceptance in the market overall on the AC mandate. And we do not see any resistance from the customer side in paying for this. So that is on the AC side.

But on the steel side, yes, there are pressures. I mean since government has introduced the safeguard duty on steel, there would be some upward trend in the steel costs, which are already staring at us. Quarter 1, our expectation is that steel prices might go up by INR3 to INR5 per kg. Quarter 2 also, a little bit more inflation we can see in the steel.

But since this measure is on a temporary basis, government had announced it to last only 200 days, so we are expecting that even before that 200 days are over, we will see the neutralization. So at best, we would say 3 to 4, maybe max, 5 months of impact because of this.

However, some other commodities are actually moving in the favorable direction, for example, rubber. Rubber had increased by 7% or so last year, but now rubber is coming down. Similarly, some other commodities are coming down.

So I think net impact wouldn't be very dramatic. In any case, we are, I mean, the industry and Ashok Leyland both are trying to see how much we can improve on realization to negate this.

But yes, it is a challenge for quarter 1. I would say quarter 2, things should stabilize. And quarter 3 onwards, I think this should be neutralized.

Moderator: Next question is from the line of Kapil Singh from Nomura.

Kapil Singh: Yes. So I was just saying congratulations on a very strong performance once again for this quarter and the year. I wanted to understand, firstly, on the cost levers that you are looking at over the next 1 to 2 years, you've talked about some cost pressures, but we have as a company and as the industry done quite well in the face of a lot of cost pressures through the last 4 or 5 years. So you talked about realizations, but if you could talk about some other areas where there can be cost reduction or potential margin drivers over the next 2 to 3 years?

Shenu Agarwal: Kapil, firstly, thank you for the compliments. We are indeed quite happy with the results, especially quarter 4 has been really good. Overall year also we have been able to move our margins up, EBITDA margins up. And we are sitting on a very strong cash position at the end of the year, which means that we can invest more and more into the future growth of the company.

But just coming to your specific questions about the levers available for us to improve our margins and market share growth, we had a very consistent strategy over the last couple of years. So I would like to set it out again just for everybody's benefit.

So firstly, our aim is to add more and more value into our products. You can call it premiumization of our product portfolio. But the idea is basically to provide more value to the customers and have the ability to charge more for it. So that is one. We are doing a lot of work on the products at variant level, at the model level, segment level, to see how we can provide more value to the product. So that price realization benefit, definitely we are targeting in the next couple of years.

The second is you are aware that we are the cost leader, which means that our cost per vehicle on an average basis is lower than that of the peers. And this is a great strength we think Ashok Leyland has, and we do not want to lose on this strength. And therefore, efforts on cost optimization, whether it is material cost or any other cost, would continue to happen.

Last 3 years actually had a great success story because we continuously saved hundreds of crores of cost in our P&L, and that will continue. Even for FY '26, we have taken a very ambitious target on cost savings, and it will start happening from Q1 itself. So it will help us navigate this little bit of a challenge that we are seeing on the steel.

And the third lever is on the aftersales side, like Dheeraj also mentioned that we started a new project a few months back. And the aim of that project is to deliver best-in-class service to our customers. Now this particular aspect is very important, especially in the CV industry. I would say as important as giving a superior product because this is a revenue-generating product. So if the product is out of service for 8 hours, some customer is directly losing that 8 hours of revenue. So our intention is, through this project, is to how to reduce that downtime of the product. Even for scheduled maintenance, how can we run it, how can we do it much faster. So the levers are common.

I mean we are not doing anything new. But the cumulative effect of the advantages we are deriving out of these three levers are showing in our financial results. And we hope to continue to do the same in future as well.

Kapil Singh: Sure, sir. Sir, the second question is on capex and investments. If you could let us know what is the target for FY '26? And in what areas will you be looking to invest? And on electric in particular, we have not seen, for the buses, the kind of orders that at one point we were hoping for. So just if you could talk about the landscape there because it seems like most of the orders are coming for diesel buses?

K.M. Balaji: On the capital expenditure side, in FY '25 where we ended up with around INR950 crores, and we actually have plans to end at around the same level in the next financial year also. We'll be doing around INR1,000 crores. Essentially, these, the capital expenditure will be aimed towards developing the capability as well as towards getting into more on the new technologies. We'll be more focusing on the alternate fuel and newer technologies, all these things, including the critical components of this electric vehicle covering the battery, motor, etc. We have also started, if you recall, the eV centres of excellence towards these critical components in an electric vehicle. So our focus, and our capital expenditure will be more incurred towards this.

And on your question on the investment in the subsidiaries, essentially, we will try and support the funding requirements of Switch India. Switch India may not have significant funding requirement as we understand at this given point of time. Their requirement would be anywhere about INR100 crores to INR200 crores. OHM might require additional funding of INR300 crores to INR400 crores. So what we anticipate at this point of time would be that we would invest about INR500 crores to INR750 crores. That's the visibility we have as of now. So we'll get better clarity as we progress and also, I mean, as we look at the demand for the funds from these companies. We may also get a funding requirement from the Hinduja Leyland Finance. And if we get these kind of requirements, then we will support given our cash situation.

Shenu Agarwal: Just to add a little bit more color to this. I mean you would have noticed our cash position is significantly better now at the end of FY '25 as compared to the previous year. FY '24, we had a net debt of about INR89 crores. But now in FY '25, we are sitting on cash surplus of INR4,000-plus crores.

So, in a way that signals that we can invest much more actually in the future growth of the company. Like I said, future growth would come from mainly two levers. One is how we can add more value to the products and the other is how we can make our service operations much more effective and efficient.

So now we can afford to be more liberal as far as capex is concerned. We will look at more areas where we can invest in, in terms of upgrading our products and technologies, and make them more superior and relevant to the market. And therefore, while Balaji said INR1,000 crores, but you know that we have cash to be able to spend more in the capex as long as it makes a good business case. So that's definitely a positive.

Also in the investment in subsidiaries, I would just like to mention that Switch India, in particular, we had told you earlier that our target is to make it EBITDA positive in FY '25, which we have now achieved. In fact, the quarter 4 has been really good for Switch India where they have achieved a double-digit EBITDA margin.

Now we want to continue on this trajectory, and our next goal will be for Switch India to make PAT positive. Now PAT positive means that they will start generating some cash to be able to be self-sufficient in future, so as to meet their own requirements on capex, etc. And therefore, over a medium-term horizon, we don't see that Switch India will require too much cash.

On the Switch UK side, we had already told you that we have taken a kind of decision to restructure that company, moving the manufacturing operations out of the UK. Now this doesn't mean that we are exiting the market. We definitely will continue to serve the market. But we are just taking production out to more efficient locations.

So that would also help us reduce or nullify that GBP 2 million to GBP 3 million of loss we were making there, pounds of loss we were making on a monthly basis in UK, right? So I think investment requirements in future, of course, temporarily, some companies may need some investments, but in future, all these companies are moving in the right direction.

Even for HLF, it is a very self-sufficient company. The only reason we invested in the past was just the company was growing at a rapid pace, especially the housing finance business also, and just to meet the capital adequacy requirements of RBI, we had to inject some small capital.

But yes, I mean, like I said, in terms of investments, it shouldn't put a lot of drag on us in future. And in terms of capex, since we have a very strong cash position, we should be able to invest in the growth.

Kapil Singh: Sure, sir. And on the EV buses landscape, if you could comment on that as well?

Shenu Agarwal: EV buses landscape, Kapil, generally, I think the country has a very positive outlook. I mean every day, you hear announcements from the government that they want to introduce or induct 14,000, 15,000 buses into the fleet, electric buses. Of course, it took some time because the government was coming up with this whole channel as to how they will assimilate the demand of various state STUs and bring it on a common platform where they can tender out these buses.

And then they were also looking at establishing a payment security mechanism for these GCC contracts. But I think more on that, all of that is in place. So, we should see a very healthy growth in electric bus adoption in the country. On the STU side to begin with, but later over next few years, it should trickle down into private sector also.

But yes, Switch is very well positioned. I believe we have the best-in-class product and technology. We have really invested a lot in making sure our products are superior, electric buses specifically. And therefore, in all respects, we are ready to take on higher and higher market share in electric buses in future.

Kapil Singh: Best wishes for next financial year.

Moderator: Next question is from the line of Raghu Nandhan from Nuvama Research.

Raghu Nandhan: On strong margin show. Congrats to Shenu sir and Balaji sir. Sir, firstly, good to see you're expecting a positive outlook in FY '26. How do you think the current up cycle is different from the previous up cycles? How do you see the performance over the next 1 or 2 years? And one concern is that I think Western DFC will be operational in second half of the year, how do you see the impact on competition from railways?

Shenu Agarwal: Yes, Raghu, thank you. It's always good to speak to you. On the cycle, I mean, last couple of years, we have been saying that we don't think we should look at the history and project the future. India is on a very different trajectory. We all know that India is going to be a major economy growing at a rapid pace as compared to other economies.

And therefore, India will require a lot of freight to be moved, a lot of people to be moved. And therefore, we shouldn't say that in future, we'll have the same trends as we had in the past. However, even if the market goes down in a particular year, we don't think the drop would be as dramatic as we have seen in the past. So one is that.

The other is that, I think over the last 4 or 5 years, we have prepared the company's business model in a way that we have really reduced our dependence on the MHCV, which is more cyclical in nature.

Now although you don't have the numbers, but if you just do some calculations, you can figure out that our EBITDA breakeven can be reached even at a very, very low volume per month of MHCVs. So which means that the contribution margins we are generating from non-MHCV businesses is so high now that we can take care of most of the fixed cost of the company.

Now this is a very good situation to be in, and I think it should give good confidence to you guys and also to the shareholders that the company has been able to shift its business model, so it has made itself pretty much immune to the cycle.

So having said that, FY '26, we are optimistic. It's too early to predict about FY '27. But largely, I would say that these cycles in the future would be very different. There is always a chance that a year could be a bad, a particular year could be a bad year. But like I said, it wouldn't be as dramatic as before. At least that is what our forecast or prediction.

As far as the DFC is concerned, it will impact. I wouldn't say it will not impact at all. But I think there is such a huge fundamental potential available in the CV industry for future, that the overall freight demand is going to be so much, if the economy continues to do well at 6% to 8% CAGR, etc. CV industry should continue to grow. We know about the ageing of the fleet. It is running at 9, 9.5, 10 years, which historically has been 7, 7.5 years. So we know that there is a fundamental capacity that is required to be rebuilt in the CV industry. Now it is just waiting for the right triggers.

And FY '26 is pointing to all those triggers. I mean whether it is interest rate or core sector demand or monsoon, or government capex, they're all pointing in the right direction, So we are quite hopeful of the CV industry cycle.

K.M. Balaji: Just to add on to what Shenu has said, last 3 years, if you will look at the numbers which we have posted, on the domestic MHCV side, we have done about 114,000 to 116,000 vehicles. But if you look at the margin, we have moved from 8% to 12% to 12.7% now. So that's the proof that we have built a model which is resilient to the cyclicality of this trucking industry. The non-truck business have been doing very well, and the commodity costs have been quite conducive. The recovery has been quite good in a few years. So all these engines have fired and they have helped us to maintain and improve on the margins from FY '23 levels.

Shenu Agarwal: Yes. Raghu, I mean this is the point I think many of the people are missing. The CV industry or the CV sector is not the same now as it was in the past. We have a very, very different looking P&L., when you divide it into segments and you divide it into various forms. I mean we are not that much susceptible.

I'm not just saying at Ashok Leyland, but even as an industry, because others have also done quite well in this regard. But our P&Ls of CV sectors are very different now. So we should not be that much concerned that it is a cyclical industry, and therefore, if a bad cycle comes, our EBITDAs will drop to lower levels or it will become red and all that.

So like I explained, we have really worked on correcting this business model. And now very much we are immune to kind of these cycles. There would be, of course, some impact of a bad cycle, but it wouldn't be as much.

Raghu Nandhan: One clarification, given that the focus has been to increase the share of noncyclical portion in revenues, which is also supporting the profitability as Balaji, sir, highlighted, would noncyclical portion be roughly about 50% of revenue? And relating to that, one of your high-growth noncyclical portion has been the exports. If you can talk a bit about which regions are expected to do well for FY '26.

Shenu Agarwal: Yes. Your number is quite right. It's in that range of 50% or so. But let me just give you a little bit more commentary on noncyclical or non-MHCV businesses. I think, number one, I would like to talk about is exports. We are very happy with the way our exports is going. Last year, we had a 29% growth in the volumes.

And we have actually been able to increase our margins substantially while growing at 29%. So that direction is right. And as I have said before, this is not just the result of the efforts of the last few years, but also the way we have set up our international business is very different. I mean, we have taken an approach that wherever we will go, whichever market we will go, we will use that as our own home base. We'll treat it the same way as we treat India as a market, which means we will act local, which means we will open up our assembly or manufacturing facility there. We'll source components from there. We'll do local value addition. We'll hire local people. We'll have our own offices. We'll have our own people interacting with those customers. I mean it's a long-term strategy, which is really working well for Ashok Leyland and is showing up in the numbers now. But we will continue with this strategy.

And you would agree that it is very difficult for someone to copy this strategy over a short period of time. So I think on exports, we'll continue to grow, not just in the home markets we have right now, which is GCC, SAARC and Africa. But we want to open up another home market for us, which is ASEAN. We have made some smaller moves there.

We have distribution partnerships in Malaysia and Philippines already. We are actively looking for partners in Indonesia and Thailand, which are much bigger markets and markets which are very relevant for products like ours. And also, at some point in time, we will look at having a local facility there also to locally assemble our products.

So there is a lot of action going on, on the product side also in making sure that our brand is moving in the right direction in this market. This month, we are actually inaugurating, having a big inauguration in South Africa to launch various products there. So exports is moving in the right direction.

But it's not just exports, also engines, defense or aftermarket, I mean, parts, all of them are doing very well. And all these are higher-margin businesses than the MHCV business or the LCV business. Defense, in particular, we are very, very confident of. I can actually tell you with a lot of surety that we are destined to double this business in the next 2 to 3 years. Parts also is growing very, very healthy. I mean last year, we had close to 15% growth.

So yes, we are putting a lot of focus on the noncyclical revenues. Not that it means that MHCV, we are diluting our focus on. MHCV will continue to be our bread and butter and our core. So yes, but this is helping, exports, the Power Solutions, defense, parts are helping a lot.

Raghu Nandhan: And wishing that the export share keeps increasing for us. Just a last question on HLF as well. Can you talk about the book size and growth and the current network of the company? And any timeline for the reverse merger and listing?

K.M. Balaji: Yes. Regarding your question on this AUM, it has increased to INR61,700 crores. That's a consolidated number, roughly INR62,000 crores. That's a 25% year-on-year growth. Standalone AUM is about INR48,000 crores. And Hinduja Housing Finance is about INR14,000 crores, which has grown by about 31%. Stand-alone has grown by about 24%. And the combined growth is about 25%.

Revenue from operations consolidated is about INR6,281 crores from INR4,700 crores last year, a 35% increase. Profit after tax has also gone up by about 21%. The asset quality is quite good, with the GNPA at 3.5% and NNPA at 2.1%. All these are much lower than the last year's levels.

Raghu Nandhan: And just the net worth, sir?

K.M. Balaji: Net worth, I don't have it.

Shenu Agarwal: We'll get back to you on that, Raghu. But I think I just want to add that we have always said, and most of you will agree, that our share price of Ashok Leyland actually does not fully reflect, I will say, the value that we have in our subsidiaries. So whether it is HLF or Housing Finance, which is doing really well, or even other companies there.

So we would take those actions to unlock this value at the right time. We had spoken to you about the listing of HLF, although we are delayed, we had earlier indicated we'll do it around Q1 of FY '26, but we are delayed. We are still waiting for some approvals. Some of them have come, but one or two important ones are still pending. But we are expecting these will come sooner than later. And once we have all the approvals, it wouldn't take more than 1 or 2 quarters to list the company. But we are focusing on unlocking the value of various subsidiaries, so it should start reflecting in our share value.

Moderator: Next question is from Amyn Pirani from JPMorgan Chase.

Amyn Pirani: My first question was actually on your margin expansion that you've been able to achieve over the last 2 years. So like even Balaji, was mentioning, over the last 2 years, specifically, if I look at your raw material, on an absolute basis, your raw material per vehicle, per unit has actually come down.

So is there any specific measures that you have taken to reduce that? Or is it just a function of mix? Because obviously, other expenses have moved up because of lack of operating leverage. But in raw material, you seem to have actually brought it down on an absolute basis also? So if you can highlight something there, that will be really helpful.

Shenu Agarwal: Yes. This is basically a result of our last 3 years of efforts to reduce the cost. But you should also keep one thing in perspective that in 2020, when we shifted from BS IV to BS VI, our overall material cost base expanded heavily, for the industry, not just for us.

And whenever you come up with new technologies that pushes your cost up so much, you also create an opportunity to relook at those costs and bring them down. It's just a basic engineering principle, how engineering works. Because whenever you come up with a new technology, you want to make it safer, you want to make it first time right.

And therefore, in that process, you build up, sometimes, you build up more costs than required. But over a period of time, when you are relooking at that cost and when you are looking at the performance of those products in real-world situation, and you are analyzing those load conditions or data that is available, then you know there are opportunities to reduce the cost. So basically, that is what is driving the industry-level cost reduction.

Now specific to Ashok Leyland, I mean, we are taking it really seriously. We are using all kinds of levers, whether it is working closely with the suppliers to look at alternatives of building that product or whether it is tear-down analysis, looking at other products in the market and comparing ourselves with those and trying to see where we can reduce.

And it is not limited to just material costs. We are looking at even other variable or even fixed costs to see wherever we can remove the waste. So yes, industry overall has moved in the right direction. And I think we have done probably slightly better than what industry has done in terms of cost savings.

Amyn Pirani: Okay. That's helpful. And secondly, this year, we've also seen a very sharp reduction in working capital. So again, if you can shed some light, is there some temporary one-offs which are helping us? Or is this the new normal for working capital? Because from a slight positive working capital days, we've gone to a significantly negative working capital days? So some help there would be helpful?

K.M. Balaji: Amyn, actually, what has happened is in this financial year, we could do a very sharp reduction on our finished goods inventory. Earlier years, it used to be about 8,000, 9,000 vehicles at the year-end. But now this year, we have really brought it down below 7,000 vehicles. This has significantly added to our overall working capital reduction.

Similarly, the production inventory is also low. And we have also brought down our credit substantially over the years with reference to the medium and heavy commercial vehicles truck business, we are slowly moving towards our original situation of cash and carry route.

We have brought our credit down now to almost a very negligible level, less than 1,000 vehicles are on credit at a month-end, where we get the money also collected in the first week of the next month. So all these have substantially improved our working capital as well as the cash situation during the year.

Shenu Agarwal: So just to add a little bit on that, Amyn. I think creating a financial discipline on the front-end side, on the sales side, has been one of our focus areas. So that is what has resulted in lower receivables and also that has resulted in lower inventory.

Also, now, we are still in the middle of this, but we are shifting entirely to a new process where the inventory is not built based on the forecast that we receive from the field. But there is a very different pull-based replenishment model that we are applying. So you have seen some reduction in inventory. But going forward, you will see that inventory would reduce further.

On the payable side, there has been no movement. It is just a timing issue because quarter 4 is slightly much better and, therefore, especially when you don't give any credit to the dealer, then you have these large payables that are at the end of March. So some of it is timing. But yes, last March to this March is a significant swing, mainly because of receivables and inventory.

Amyn Pirani: And if I can just squeeze in one more question. Given the significant movement in net cash position, your interest plus other income line is still not showing that significant improvement. Should we see that into next year, like the other income plus the interest cost becoming significantly favorable?

Shenu Agarwal: Definitely, you will see that.

K.M. Balaji: Year-on-year other income is at around the same level, INR250 crores. And similarly, on the finance cost, it is much lower. It has come down by about 15%. It is reflective of this better working capital position.

Moderator: Next question is from the line of Vipul Agrawal from HSBC.

Vipul Agrawal: So you talked about average age of vehicle to be around 10 years. So given the steep price hike in last 5 years, would it be fair to assume it to be a new normal? And if not, like then what would be the triggers for the pent-up demand to reflect in the numbers?

Shenu Agarwal: Very hard to give you a number there. But I mean, we do believe that at some point in time, this has to come to a level of around 8, or 8.5. So, although the previous norms were more closer to 7.5 or so, so there would be some increase in the life overall just because of technology improvement, reliability improvement, etc. But we still think there is a gap in what it is today and what it should be.

So it should reflect at some point in time. I mean there are other factors also that play a role in triggering this pent-up demand. And like I said, FY '26, those factors are looking positive. So let's say, I mean, although right now we are projecting kind of a single-digit growth in FY '26, but we may have some surprise in store.

Vipul Agrawal: The second question is on the defense business. Like how is it shaping up? Can you talk a bit on the product pipeline which might be introduced maybe on the next couple of years? And what would be the order book for the defense business, if I missed it earlier?

Shenu Agarwal: Yes. Order book is very strong. We wouldn't like to place a number there, but you can rest assured that the order pipeline is strong. Pipeline, meaning the orders which we have in hand or the orders where we have visibility, that we will win. So it's at an all-time high. We are already above INR1,000 crores in top line on the defense.

We are extremely confident based on the order pipeline, that we would be doubling this in the next 2 to 3 years, the top line. Also, we are looking, I think we told you last time also, we are looking at how we can expand our defense portfolio so that even outside mobility, how we can play this huge momentum that the country has towards localization of defense equipment, defense supplies.

So we are looking at those levers. However, those would be long-term. You know defense has a very long gestation period. So that would like play out over 5 years or so. But even in the near term, with the current vehicles or the current portfolio we have, we are very confident about defense growth.

Vipul Agrawal: Understood. Just last question, if I can squeeze in, in terms of discount. Do you see that absolute discount per truck are largely stable, but increasing indirectly in terms of including tenure of AMC, like going up from 3 years to 5 years, and to -- for the large operators, it goes up to like 7, 8 years as well.

So how do you see that, like in long term, how would we see AMC supporting the spare parts revenue or it will have a negative impact on growth of spare parts revenue? How should we look at it from spare parts revenue growth perspective?

K.M. Balaji: Actually, we have stopped tracking the discounts, and we are more tracking the net sales revenue. Actually, we are not concerned about the discount in the market. And what we are more worried is the net sales realization. This is what we are tracking. And you will see that movement moving across favorably across the quarters.

And what is your next question? AMC, we see good possibility there, and we see good margins for us also there. But I mean, it is too early to comment on that. Market will have to mature a bit.

Moderator: Next question is from Pramod Amthe from InCred Equities.

Pramod Amthe: So congrats on the EV bus momentum, which you have been able to achieve and the turnaround in Switch Mobility. Wanted to get your thoughts in terms of EV trucks also you have started delivering, how has been the product performance on key parameters, one. And second, what are the clients feedback and what are the improvements you're planning there for the financial year '26, '27?

Shenu Agarwal: EV trucks, the penetration is still under 1%. But we are very proud to say that in terms of just volume, although it is limited, Ashok Leyland has the highest volume there. I'm not talking about the LCVs right now. I'm talking about medium and heavy-duty.

I think we have the widest range also available in medium and heavy-duty trucks because you are aware that we launched our Boss EV truck which is 14 to 19-ton GVW last year. And then recently, we also launched our 55-ton tractor trailer EV. We also showcased India's first port terminal tractor, which is 100% EV in the Auto Expo. We are preparing ourselves to launch it commercially within next 1 year or so.

So, I think we are ahead of the curve here as far as EVs are concerned. Of course, there is new competition also emerging. Especially some players from China are bringing some equipment, some vehicles from China, either fully-built or SKDs, etc. But I mean, based on our current experience, we can say that our technology and product maturity is far better than some of the other EV trucks available in the market.

So we will continue to work on this. We'll continue to mature the technology further. We'll also participate in the ecosystem level with the government or other partners to make sure that this ecosystem development also happens. But you can't, I think it's hard to expect a kind of dramatic growth on the EV truck medium- and heavy-duty side.

Now the LCV story is different, because LCV adoption, you would know that most of the projections are saying that it will touch about 20% penetration by 2030 or 2032. And you know that Switch has already launched products in the LCV segment, electric LCV segment. They are doing really well.

Of course, the market is limited, especially government withdrew the PME drive incentives on LCV. So market will take some time to kind of gain more traction. But we are there in terms of products, etc. When it comes to hydrogen, very proudly we say, although the number is small, but very proudly we say that we have the largest fleet of hydrogen ICE trucks in the world.

We have a customer partner with whom we are running this pilot. LNG, we have been slightly delayed to the market, but we are catching up. And this year, you will see some launches in the LNG segment also.

Pramod Amthe: Sure. And the second question is with regard to defense, considering that we still have a substantial hardware exposure versus the recent offers have been more electronics in that sense. Any medium-term thought process how you want to drive this business through JVs or some technology partners to capture the incremental relationship benefit in the defense portfolio?

Shenu Agarwal: Yes. Firstly, I think there is, like you said, there is a very clear shift as to how defense is playing out. It's moving more and more towards electronics and other stuff. But see, it is not going to have an impact on the mobility where we play a role.

Everything has to be moved, irrespective of whether it is a sensor-based equipment, a radar-based equipment or it is a gun or something else. So it won't have an effect on mobility, which is our current area or current domain.

Now like I said, in future, we are looking to expand beyond mobility. We are still working on that strategic road map. And as soon as that is finalized, we'll definitely come back to you and share with you about our ambition on defense beyond mobility.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as a last question. I now hand the conference over to the management for closing comments.

Dheeraj Hinduja: Ladies and gentlemen, thank you for all your questions. I hope you've got the clarification. I would just like to close by saying we do see the new financial year to bring growth in all the vehicle categories and we are ready in respect of the growth that's happening across the segments with our new products, and especially with the electric vehicles, you will see many new buses being launched by Switch.

We also are expecting very good growth in our international operations. We had one of our best years last year, last financial year, and we will definitely be improving upon that. And we also believe that defense, as Shenu mentioned, will see very good growth coming through. Our strategy for Switch is proving to be in the right direction, and we do see Switch India as turning positive in this current financial year.

And although there has been this slight delay in the listing of Hinduja Leyland Finance it continues to grow well in all parameters and all financial parameters and also its subsidiary, Hinduja Housing Finance, is now the fourth largest affordable housing finance company and also delivering good numbers. Although HLF and HHF do not really figure as we see it showing a true value in Ashok Leyland shares today, but it will through the listing process unlock this.

And we thank you for your continued interest in the company.

Moderator: Thank you very much. On behalf of Kotak Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.