ASHOK LEYLAND
Koi Manzil Door Nahin

August 21, 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 August 14, 2025 to discuss the un-audited financial results for the quarter ended June 30, 2025.

Meeting start time - 6.00 p.m. IST
End time – 7.00 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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N Ramanathan
Company Secretary

Encl.: a/a

"Ashok Leyland Q1 FY'26 Earnings Conference Call"

August 14, 2025

MANAGEMENT: **MR. SHENU AGARWAL - MANAGING DIRECTOR & CEO, ASHOK LEYLAND**
MR. K. M. BALAJI – CFO, ASHOK LEYLAND

MODERATOR: **MR. NISHIT JALAN – AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Ashok Leyland Q1 FY'26 earnings conference call hosted by Axis Capital.

As a reminder, all participants' 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nishit Jalan from Axis Capital. Over to you, sir.

Nishit Jalan: Thank you. Good evening, everyone. Welcome to Q1 FY'26 post-results conference call of Ashok Leyland. We are pleased to host the Senior Management Team of the Company today.

We have with us Mr. Shenu Agarwal – Managing Director and CEO; Mr. K.M. Balaji – CFO, and also the Investor Relations Team.

I will now hand over the call to the Management Team for the opening remarks, post which we can have the Q&A. Over to you, Shenu.

Shenu Agarwal: Thank you, Nishit. Good evening, ladies and gentlemen. Thank you for joining in and for your trust in Ashok Leyland as always.

I am pleased to share that we have had yet another quarter of remarkable performance with highest ever Q1 revenue, EBITDA and PAT. Our net profit in Q1 FY'26 was at Rs. 594 crore, higher 13% on YOY basis. Revenue was at Rs. 8,725 crore, higher by 1.5%and EBITDA at Rs. 970 crore, higher by 6.4%. EBITDA margin was at 11.1%, higher by 50 basis points over Q1 of last year. Our cash position net of debt continues to be positive at end of Q1 at roughly Rs. 800 crores. At end of the same period last year, our net debt was Rs.1200 crores, reflecting a swing of approximately Rs. 2000 crore on YOY basis.

Our MHCV market share, excluding defence and EVs, in Q1 this year improved to 31.1%, vis-à-vis 29.8% during the same period last year. The 0 to 7.5 LCV Vahan market share also improved to 12.9% during Q1, which is 120 basis points improvement on YOY basis. Our focus on product premiumization, cost leadership and service excellence are helping us deliver improved profitability while growing our market share. This corroborates well with our strategic imperatives of profitable and sustainable growth. While the domestic MHCV industry volume in Q1 declined by 2%, this was on a high base of last year, wherein Q1 last year the industry volumes had grown by approximately 10%. Despite decline in the industry volume, Ashok Leyland domestic MHCV volume excluding defence, grew by 2% to be at 25,641 units for Q1 this fiscal year. Ashok Leyland domestic LCV volume was at 15,566 units, higher by 1.4% YOY. LCV Vahan sales was at 15,436 units, higher 8% YOY.

Our exports volume was at 3,011 units, higher by 29% on YOY basis. Our home markets outside India, Wales, GCC, Africa and SAARC are doing well despite all the geopolitical uncertainties. Ashok Leyland products are gaining increasing acceptance in these markets with our approach of developing strong local presence and building products suiting the local requirements. Our non-CV businesses are also growing as per the plan. Our aftermarket revenues were higher 8% YOY and revenue from power solutions business was higher by 28.5%. Our defence order book and tender win pipeline is stronger than ever, basis which we are confident to post a double-digit revenue growth in FY'26.

Material cost as a percentage of revenue for Q1 was at 70.6% at the same level as Q4 FY'25 and 1.6% lower than same period last year. This was a major achievement given the material cost pressures created by steel safeguard duty and tariff volatilities. This was achieved by our continued focus on material and other cost savings along with better price realisation and a healthier model mix. As mandated, we introduced ACs across our product lines in Q1. The migration was smooth and the entire operations and supply chain was fully aligned in the transition. To offset potential impact on mileage from the AC introduction, we introduced Ashok Leyland's new IVAC system which is Intelligent Vehicle Acceleration Control System in many of our products to improve fuel efficiency.

We are preparing to launch a slew of new products in the balance of the year in both MHCV and LCV segments. These include our foray into 280, 320 and 360 horsepower tippers, tractor trailers and multi-axle vehicles with industry-best peak power and torque, heavy-duty aggregates and a host of other premium features. We are also preparing to launch our first offering in the LNG segment later this year with multiple models catering to different applications. On the anvil are also our upgraded 13.5-metre bus and an entirely new 15-metre bus with a very unique value proposition. We shall also be unveiling a bi-fuel product in the LCV range to cater to the demand in the large metros. Many upgraded products for our international markets are also slated for launch this year.

Our e-trucks both on BOSS and AVTR platform are gaining traction and proving their technical superiority as we continue to gain more customer orders. We hope that these products will further help us improve our market share across all the product segments in times to come. We are continuously augmenting our fully built capacity to cater to the growing demand. Our new plant in Andhra Pradesh inaugurated in Q4 of last fiscal is in the ramp-up stage and will reach a capacity of 200 units per month by end of the year. Our newest and most modern bus plant at Lucknow which is under construction will be operational from Q3 FY'26. We are also looking at enhancing capacity at our bus plants at Alwar and Trichy.

We continue to expand our domestic network. We added 23 MHCV touchpoints and 13 LCV touchpoints during the quarter with most of the additions in north and central part of the country. With these additions, total touchpoints for MHCV are now at 1,073 and for LCV at 851.By end of the year, we hope to cross 2,000 touchpoints for both the product segments combined.

Internationally as well, we are expanding our network in all our four home markets with SAARC, Africa, GCC and ASEAN. One of our key initiatives towards premiumization of our products is to achieve global standards on customer experience by transforming our service operations. This initiative has already started yielding initial results. Ashok Leyland ranking has improved to number one in dealer satisfaction index and number two in customer and sales satisfaction index.

Switch India is going from strength to strength. While last year, Switch India turned EBITDA positive, we are happy to share that in Q1, the company has achieved PBT breakeven as well. As indicated earlier, our goal is to achieve PAT positive status for Switch India in FY'26. The current order book for Switch India stands at 1,500 plus buses. Regarding Switch UK, the redundancy process is in progress which is likely to get concluded by early Q3 FY'26. This will lead to complete cessation of manufacturing and assembly facilities in the Sherborne UK facility. The production of e-buses for UK and European markets is being moved to our other global production facilities.

OHM, our E-MaaS subsidiary is operating more than 850 buses with fleet availability of 98% plus. During the quarter, OHM added more than 200 buses to the operating fleet and is progressing well on its target of operating 2,500 plus buses within the next 12 months. All the GCC projects under execution are at healthy double-digit IRR.OHM is working diligently on the 10,000 plus PM E-DRIVE tenders to further add to their growing fleet.

Hinduja Leyland Finance and Hinduja Housing Finance continue to do well. HLF standalone AUM was at Rs.50,430 crores and HHF AUM was at Rs. 14,265 crores both registering 25% YOY growth. Total income for the finance subsidiaries was at Rs.1855 crores and the book value at the end of the quarter was at Rs. 7,222 crores. On a consolidated basis, the NNPA has come down to a healthy 1.63%. Very recently, HLF also received the final clearance from RBI to initiate a merger process with NXT Digital paving the way for its listing. We are making continuous progress on our ESG commitments as well. We have now signed four franchisee partners for AL HARIT, our platform for RVSFs, registered vehicle scrappage facilities. In our commitment towards RE100, we have achieved 81% RE status as against 69% at end of FY'25 with our TN plants, Tamil Nadu plants now at 95%.

Our Road to School and Road to Livelihood programs continue to grow, extending their reach to about 5 lakh students now. As part of RTS, capacity building sessions and career counseling were delivered to more than 11,000 students in the last quarter. More than 200 women from 15 villages were enrolled into Road to Livelihood program.

Looking back at the quarter, we believe we have moved well on our strategic goal of delivering profitable growth. Given the high base of Q1 FY'25, we feel satisfied delivering record revenue, EBITDA and PAT in Q1 of this year. We are optimistic about the growth prospects in both MHCV and LCV given the low base of Q2 last year where especially the MHCV market was down. The fleet utilizations are holding up and freight rates and operator profitability are moving northwards. So far, we have remained largely immune from tariffs and other geopolitical uncertainties. We believe the uncertainties pertaining to commodities, especially steel, would also settle down in the coming quarters.

RBI interest rate cuts have not yet fully transmitted to the ground but are likely to happen soon. The government CAPEX spend also has been higher and is expected to further improve. On back of these and basis our upcoming new product launches across different segments, we remain optimistic of volume and margin uptrend for Ashok Leyland in the second half of the year.

Thank you once again for your continued trust in Ashok Leyland. I now hand it over to moderator for Q&A.

Moderator: Thank you very much sir. We will now begin the question and answer session. First question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

Gunjan Prithyani: Hi, thanks for taking my question. Firstly, on the margin side, can you give us some color on what were the key variables? We did see commodity pressures in this quarter. There was this mandatory AC cabin regulation as well despite that we have somehow managed to keep the gross margin stable. So, if you could give us what were the drivers to it and how should we sort of think going forward? Are there more commodity pressures to bear in mind in the next couple of quarters?

Shenu Agarwal: I will give you a short answer, then I will ask maybe Balaji can give you a more detailed one. But like Gunjan, we told you last time, while we were all worried about AC introduction, whether we will be able to pass on the cost to the market. But to our surprise, actually there is a huge amount of traction that we have seen in our customer base to adopt air conditioning. A lot of customers actually asked us even before the implementation date if we can provide them AC vehicles. So, I think there is a kind of mindset shift happening in the customer base also and we are very happy that we could pass on the complete cost impact of AC. And beyond that, we were also able to improve our pricing and to some extent our model mix as well because the multi-axle vehicles which are the higher margin vehicles for us, they really improved on volume in quarter one. So, yes, I mean overall it was a good period. Commodity, we had a certain pressure especially on the steel side emanating from the safeguard duty. But I think that is also coming down right now. So, when we look at the spot price in the market in July, it is actually moving south now, steel prices. So, we will see how it goes in quarter two. But we think steel should also settle down to favorable levels.

K. M. Balaji: Even on the overhead side, you would have noticed our other expenses, we have reasonably controlled compared to the last quarter where it was around Rs. 1050, Rs. 1060 crores. You would have seen in absolute terms the fixed costs have come down. So, in terms of lower revenue, the percentage looks a bit higher. But in terms of absolute amount, it has come down. As Shenu indicated, it is a combination of better mix, price recovery, commodity cost controls, as well as the overhead controls. All these have helped us. On top of it, the rest of the businesses like the spare parts has registered a good 8% growth year-on-year. The power solution business has registered a growth of about 28.5% compared to the same period last year in terms of revenue. Export numbers, volumes have gone up. It has crossed 3,000 vehicles in the current quarter compared to the same period last year. It is up by about 29%. So, all these non-CV businesses have really contributed to the bottomline.

Gunjan Prithyani: Okay, got it. My second question is on Hinduja Leyland Finance and congratulations. I think this was long, long due. Now, what is the process forward? How soon do we see the conclusion of this restructuring that we were pursuing? Along with that, if you can also sort of comment on what is happening to the financing landscape for CVs because when I go through a lot of lender or NBFC commentary through this results season, it has indicated that there are some asset quality issues cropping up on the CV side. So, is that something that you are also seeing either in Hinduja Leyland Finance book or otherwise from your customer segment? So, just these two.

K. M. Balaji: Yes, we have a very long-run process. Initially, the shareholders of both the companies, they will have to meet and then you will have to fix the swap ratios with the shares and then you will have to go to the company law board, the NCLT. You have a long list of processes which needs to be complied with and it will take a minimum of 2, 3 quarters in my guess, but I don't want to hazard a guess because whatever time it takes, it takes.

Gunjan Prithyani: Okay. And on the financing side?

Shenu Agarwal: Yes, Gunjan, on the financing side, we have been hearing in the news about some distress on the CV side, but upon deeper checking, we think this is normally the phenomena at end of Q1, beginning of Q2, as soon as the monsoon start appearing. So, I mean, definitely the fleet utilization goes down substantially and therefore every year this is what it is, but we have internally checked with HLF and they don't see any red flags right now.

Gunjan Prithyani: Okay, got it. Thank you so much. I will join back the queue.

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

Kapil Singh: Yes, good evening, sir. Congratulations on a resilient performance and also the dealer satisfaction rankings. That's quite important. My question is on the demand, MHCV demand itself. You know, you've talked about a lot of positive variables we have seen, like the freight rates and operator profitability, but it's somehow not translated into demand and also replacement demand potential, which you have previously discussed. So, just what is your assessment of this situation? Like, what is holding back that replacement demand to come back? And what is your outlook for the full year demand for both domestic as well as international?

Shenu Agarwal: Yes, Kapil, thank you for that question. Let me just comment on the domestic first. Definitely, you know, we are all expecting that this huge ageing of the fleet that we are seeing kind of more of a flattish industry for the last couple of years or maybe three years. I mean, this doesn't gel very well, especially given that macro factors, macroeconomic factors are quite okay. So, I mean, the only reason we can say what is holding it is that the CAPEX on the ground has to really be a little bit more higher. Last year we were in a situation when the CAPEX was not as good as we were expecting. Now, it has started to turning out well and now the interest rates are also getting better. So, at some point in time, it should open up, but it's hard to say when it will be. Like I said, Q2 had a low base, so maybe Q2 could start, could be a trigger for a better cycle. July already we have seen that the MHCV market has grown by about 5%. So, all the factors are pointing towards something better, some better demand. So, let's see when that happens.

Kapil Singh: Any outlook, sir, for the full year for domestic?

Shenu Agarwal: Full year outlook remains the same, which is mid-single digit growth for MHCV and slightly higher than that for LCV, but still mid-single.

Kapil Singh: And on the international side?

Shenu Agarwal: For international side, we are seeing a very good growth. I mean, from all the markets, actually, Bangladesh or SAARC and Africa have been a little bit short against our plan for Q1, but those were temporary reasons. But I think SAARC and Africa would also bounce back. In Q1, we had a 60% plus growth in GCC. We are actually running out of capacity in our UAE plant now. So, I think GCC is doing very well and will continue to do well, both UAE and Saudi. So, 29% growth in Q1 we have achieved and we do hope that we will continue the momentum in the balance part of the year.

Kapil Singh: Thanks, sir. One question I also had on OHM, we have put in some capital, I think around Rs. 300 crores over there. So, what is the total investment plan that we have for this entity? Since we're talking about number of buses that will cross, I think 2,500 in the next 12 months. So, how much capital requirement is there for these 2,500 buses, if you could help us understand that? And is there a plan to monetize this investment or make the balance sheet lighter?

Shenu Agarwal: Yes. So, we are looking at some of those options. But just to clarify, OHM has 800 buses right now, which are on their balance sheet. They will induct another, I would say, maybe 700 more by March of the year. The rest of the 1,000 buses that they would have would be actually on the Switch balance sheet, but OHM would be operating those. Because these are the tenders that Switch had won prior to OHM's existence. But OHM is actually running those because OHM is an eMaaS company. However, coming to the funding part of it, previously, we had invested Rs. 300 crores. Now, we are investing 300 more. And this will be sufficient to take care of OHM's buses, OHM's operations up to March of 26. And beyond that, we are very open at looking at some other options of fundraising also. But we'll let you know in maybe a few months from now.

Kapil Singh: Okay. Thank you, sir. And best wishes.

Moderator: Thank you. Next 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 the upcoming capacity that you discussed in the prepared remarks. So, you mentioned that you expect mid-single-digit demand growth volumes through the course of the year. Interest rates have been getting cut. So, I just want to understand sort of in the context of that, how you think about volume growth in the medium term? And what is the current capacity utilization? What is the current plan in percentage terms in adding capacity over that timeframe?

Shenu Agarwal: Yes. Thank you, Chandramouli. So, on the capacity front, our overall capacity is fine for I think next two to three years.We don't need to really look at the capacity expansion. However, in certain areas, we are expanding capacity, for example, the fully built bus capacity. Now, what has happened in the last two to three years that the whole bus demand is now shifting more and more towards fully built buses. Earlier, people used to buy chassis from us and then they would go to external bodybuilders and get the body made. I think that was more efficient at those times and, you know, there was also this tax advantage because the bus body had 18% tax while the chassis would have 28%. But I think customers are now realizing that that is very cumbersome for them. It takes a lot of time and then they don't get a final product with one manufacturer behind it. So, I think this whole shift is coming, even not just private, but also STUs are now more and more interested in buying from the OEM, the whole bus. So, while we were still expanding the capacity, when we started the Lucknow plant and then we started to revive the AP plant, but this shift has caught us by a little bit of surprise. And now we are seriously considering enhancing the capacity of fully built buses even more. We have capacity of about 950 buses per month right now and we want to go to 1650 buses a month, including Lucknow. So, we are putting those efforts in to increase that capacity. But otherwise, overall, whether it is LCV or trucks, ICV or heavy duty, capacity-wise, we are fine. Overall capacity utilization is still at around 70% or so.

Chandramouli Muthiah: Got it. That's helpful. Second question is just around one of your competitors, there has been a proposed acquisition of a European trucking company. So, I think with Iveco in the past, you have disclosed that they have been technology partners to you in prior years. Just want to understand if control of that entity changes, if there is anything to disclose in terms of technology sourcing and alternates that you have to think about?

Shenu Agarwal: No. It's true that we had a partnership with Iveco, but that was several decades ago. I mean, many years ago. And right now, there is no relationship, existing relationship for the last many years of any kind, whether it's technology or product platform sharing or any other kind. So, this recent news would not impact us in that manner.

Chandramouli Muthiah: Got it. That's helpful. Thank you very much and all the best.

Moderator: Thank you. Next question is from the line of Pramod Kumar from UBS Securities. Please proceed.

Pramod Kumar: Yes, thanks a lot for the opportunity. So, my first question is just a general reminder to us on the financials of the economics of Hinduja Leyland Finance and Hinduja Housing Finance for the Ashok Leyland shareholders as to what is the carrying value you have and what are the latest financials you have there in terms of PAT performance and anything you can help on credit cost and asset quality parameters?

K. M. Balaji: Prior to this investment of Rs. 200 crore in Q4 of last financial year, our holding position was about Rs. 60. Now, it has gone slightly up at around Rs. 64 per share and that is our holding value.

Pramod Kumar: And Balaji, anything on the latest quarterly financials in terms of credit costs because there's been concern about asset quality on the CV financing side. So, anything across there?

K. M. Balaji: No, Shenu has already covered this. Their asset under management on the Leyland..

Pramod Kumar: Yes, AUM is Rs. 50,000 crores. The PAT number, anything on the ROAs or...

K. M. Balaji: Rs. 160 crores and their Net NPA is about 1.63% and their capital adequacy ratio is about 18.2% and AL shareholding is at 61.12%.

Pramod Kumar: And as a part of the process, will you be offloading any equity in that entity or will you continue to be holding your stake at the same level?

K. M. Balaji: We'll have to see, I mean, how the swap ratio and all is going to pan out etc. And I will also take this opportunity to just respond to this Gunjan’s question. Actually, I was going through the steps and the series of processes that are involved in it, actually, board approval, then appointment of valuers, then the swap ratio, then intimation to RBI and the stock exchanges about the swap ratio, then notice to ROC, then meeting of shareholders on direction of NCLT, then filing of scheme with NCLT, approval by SEBI and RBI, holding of extraordinary general meeting and then filing of schemes with NCLT and approval of schemes by NCLT, all these are there. So, there is a series of steps which are involved in it and it is going to take more than 3 quarters.

Shenu Agarwal: Yes, two to three quarters at the minimum.

Pramod Kumar: Okay. Fair enough. Thanks for that Balaji. And second question is related to the margin and the volume linkage. Because you did talk about in the opening remarks that you continue to see uptrend in the profitability of the company as well. And I'm just looking at the fact that last year was a record year for you with 12.8% kind of EBITDA margin. So, Shenu, how should we look at margin in context of the volume assumptions you make and the fact that even last couple of years we've been, industry has been hopeful that the volumes will see uptake, but we have not seen that. So, just in case the volumes were not to see uplift, what would be the implication for your margin trajectory on a YOY basis? If you can just share your thoughts there.

K. M. Balaji: Pramod, there are a lot of aspects you need to look at the margin. Margins are not simply relatable to the volumes per se. There are many other factors which are involved in it, like the mix of the revenues. The more we do on the non-CV business, the more will be the margins. And even within trucks, you have various segments. In trucks, if we do more on the higher tonnage vehicles, the more will be the margins. On the buses side again, so it all depends on various factors, including the business mix, including the segment mix within the businesses. Then, of course, you have the commodity cost involved in it, the cost control measures which we are initiating, the recovery or the passing on of the price increases to the customers. So, all these are involved in it and it is very complex and it is very difficult to say what will be the margin outlook on a full year basis now, Pramod.

Shenu Agarwal: Directionally, we can tell you that we have, at least for the last three years, we do not sacrifice margins for the sake of market share. Market share, we are very clear, has to not come through short-term measures. It has to come through the premiumization of the product, which gives us the ability to charge better value, better price. It will have to come through our service excellence, which we have started as a very large mission in January-February of this year. It is an 18-month project. We are 6-7 months into it, but we really want to create a best-in-class, globally benchmarked service experience at our workshops. And, of course, running the company very frugally on a tight leash as far as costs are concerned, whether it is material cost or any other cost. So, I think those are our three levers, other than focusing and expanding our non-CV business, which is a non-CV, non-domestic business, which is also a very high-margin business for us. So, we are very, very focused on these three or four aspects, Pramod. And, of course, the numbers will tell the story later, but like I said, this year we are coming up with this high horsepower range. We are going to position it at a very premium price because we think that the product would command that price. The product has that kind of a capability to command the price. We will be having the most powered, highest powered, highest torque, the most heavy-duty aggregates. So, in some of the sectors, customers, we think, would lap onto these products. And, yes, so that's a journey towards margin improvement and market share improvement.

K. M. Balaji: Our overall aspiration would be to beat the last year margins by a handsome margin.

Pramod Kumar: Okay, that's good to hear, Balaji. Thanks, Shenu. And last one, do you think at this point of time, at Euro V stage 2 norms and safety norms and every norm being thrown into the Indian CV market in the last 5-10 years, is there a significant technology arbitrage between, say, European markets or other Western markets and Indian markets, where an alliance or acquisition could be a significant factor? Or what are your thoughts on that, Shenu and Balaji, as in what do you think on that? Because historically, there was always a worry that as India migrates and goes through the technology uplift on emission and safety and cabin safety, everything, the foreign players will have a bigger play, but we've not seen that materialized in terms of either market share or margins. So, what are your thoughts on the journey from here on?

Shenu Agarwal: Yes, I think it's a long way out, you know. I mean, it's like, you know, I would say 15 to 20 years out from now, maybe. I mean, but basically, the difference is not so much in the technology. I think the big difference is in the sizing itself, right? Because like these trucks in Europe or America, they run at 100-120 kilometers per hour of cruising speed. In India, the maximum speed on our highways is 80. And therefore, the cruising speed would be anywhere between 45 to 55. So, that is the main difference because then you need much more bigger engines, much more, if the engine is bigger, then you need much, much more heavy duty aggregates. And then you build all that cost. But you can, I mean, it makes sense for Europe to build that cost because their trucks can do much, much more trips, much more tonnage kilometer in a year because of that high cruising speed, right? But India, I don't think would be like that, I mean, at least in next 10 to 15 years because India would need a lot of time to upgrade its infrastructure to the levels of Europe and America.

Pramod Kumar: Good. Thanks a lot and wish all the best. Thank you.

Moderator: Thank you. Next question is from the line of Raghunandhan NL from Nuvama Research. Please proceed.

Raghunandhan NL: Thank you, Shenu and Balaji, sir. Good to see continuing margin performance. My first question, in Q1 for the cargo and the CV industry, there was a fall of 4% YOY. But within that the share of about 25 ton trucks has reduced a little bit. How do you see the mix for remaining part of the year? Do you continue to see a trend where intermediate and medium commercial vehicles do better compared to heavy commercial vehicle? Or do you think the above 25 ton segment can do better in the remaining part?

Shenu Agarwal: Raghu, thank you for that question. We definitely think the heavy duty truck will do much better after monsoon stop, because we are seeing a lot of offshoots in the heavy duty segment, whether it is in the mining sector or construction or even like car carriers or other things. So, we are actually more optimistic this year in the second half, I mean, after August-September, about heavy duty than for the ICV sector. ICV, of course, performs better in like first quarter up to July. I mean, in the first half of the year, ICV always is slightly better than MHCV, than heavy duty. But second half, we think tippers will do very well. We think trailers will do very well. And we also think that multi-axles will also do well.

K. M. Balaji: Even in the first quarter, our multi-axle vehicle growth has been quite good. It is much better than the industry growth, Raghu.

Raghunandhan NL: Got it, sir. And that is also one of the reasons which has positively impacted your mix in Q1.

K. M. Balaji: That is right.

Raghunandhan NL: On the defense side, you indicated that full year growth can be in double digits. Any color you can indicate about how large is your order book or what is the expectations in terms of how much is the potential going forward?

Shenu Agarwal: Yes, Raghu. So, we are actually very bullish on the defense for this year and also for the next year. And the reason is that while Q1 last year, we had an aberration. We had a large order that we had shipped out in Q1 last year. And therefore, Q1 this year is optically looking not so good. But we have a very, very strong order pipeline. We have about Rs. 1,000 crore plus of orders in hand. And we also have one tender, which is the value of which is Rs. 2,000 crore plus of which we are awaiting the orders. And orders would come very soon because tenders have already been won by us. So, we have a very strong pipeline. I think going forward, actually, orders are not going to be a concern for us for at least next year, year and a half, because now we have to just execute these and get these orders out as soon as we can. So, we are pushing some capacity there. There was a question on capacity earlier, so I had answered about fully built buses. But defense also, it doesn't require a mammoth CAPEX. It just requires a little bit of a tweak here and there. But defense capacity, we are also increasing on a month-to-month basis.

Raghunandhan NL: Thanks for that, sir. And can you clarify, Q1, how much was the decline in defense revenue?

Shenu Agarwal: Quite a bit, actually. I think from 400 to 150, roughly. Rs. 400 crores to roughly 150. We can give you the exact numbers later. But it will catch up. We will catch up because last year, there was a huge order of a particular vehicle that we had shipped out in Q1.

K. M. Balaji: Yes, 120 versus 400. Shenu is right.

Raghunandhan NL: Got it, sir. Thank you. On OHM, you indicated that the company is operating at healthy double-digit IRR. I just wanted to understand, would the operations be covered under the payment security mechanism for existing and the new additions?

Shenu Agarwal: Not the existing, but everything that will come from this new PM E-DRIVE tender of 10,900 buses, that would be under the payment security mechanism. But existing orders are mainly from Tamil Nadu and Bangalore, which have been very, very good paymasters. So not overly concerned about the existing buses. Any new orders which will come will be covered under PSM.

Raghunandhan NL: Thank you, sir. Just a last question. Can you share how much is the plan for investments in FY'26, given that you have done some funding for OHM and also whether there will be any incremental funding on the HLFL?

K. M. Balaji: Incremental funding on HLFL, we will not be doing anything this year. But if any of the other subsidiaries require any funding, then we might give them funding. Like, take for example, this Switch India is doing really well and they have become profitable now. So they might require some temporary funding to meet their working capital requirements. Since the cost of the buses are quite high, so manufacturing them and keeping them as to use could take time to take delivery of these vehicles. So quite a bit of money will get invested and locked up in the working capital. So they might require temporary funds, which we might give. But other than that, we don't see any major investments in Q2 or Q3. We will decide it in the Q4.

Shenu Agarwal: Nothing significant other than this OHM 300. I mean, even if some of the subsidies, they need temporary funding, we might not do it through equity route. We may do it through some other route.

Raghunandhan NL: Got it, sir. Thank you. Thank you so much and all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for the closing comments.

Shenu Agarwal: Thank you very much. As I said, for your trust in Ashok Leyland, we would continue to improve on our volume as well as margin in the times to come especially the second half, we hope would be better. Q2, as I said last year, the MHCV industry was way down. So therefore, Q2 could also be better than Q1. But as I said, we are very focused on our strategic strengths to build our strategic strengths, which we will continue to do. Thank you once again.

Moderator: Thank you, sir. On behalf of Axis Capital, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.