

November 19, 2025

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

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

SCRIP CODE: 500477

SCRIP CODE: ASHOKLEY

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 November 12, 2025 to discuss the unaudited financial results for the quarter and half-year ended September 30, 2025.

Meeting start time - 4.45 p.m. IST

End time – 5.55 p.m. IST

We request you to take the above on record.

Thanking you,

Yours faithfully,

for ASHOK LEYLAND LIMITED

N Ramanathan
Company Secretary

Encl.: a/a



“Ashok Leyland Limited Q2 FY '26 Earnings Conference Call”

November 12, 2025



BNP PARIBAS



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

MODERATOR: **MR. KUMAR RAKESH – BNP PARIBAS SECURITIES
INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Ashok Leyland Limited Q2 FY '26 Earning Conference Call hosted by BNP Paribas Securities India Private Limited.

As a reminder, all the 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 ‘*’, then ‘0’ on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kumar Rakesh. Over to you, sir.

Kumar Rakesh: Thank you, and apologies for the delayed start. Good evening, everyone. On behalf of BNP Paribas Securities India, it is my pleasure to welcome all of you to the conference call to discuss the 2nd Quarter results of financial year 2026 of Ashok Leyland.

To discuss the results, we are joined today by Mr. Shenu Agarwal - MD and CEO; Mr. K. M. Balaji - President and CFO, and the Investor Relations team.

I will now hand over the call to Mr. Shenu Agarwal for his opening remarks. Mr. Agarwal, over to you.

Shenu Agarwal: Thank you for joining in and for your trust in Ashok Leyland, as always.

Q2 proved to be an eventful quarter for us. MHCV trucks smoothly transitioned to the AC mandate, signifying growing acceptance towards safety and comfort in the Indian trucking industry. GST 2.0 added cheer to the festive season on two accounts, the rate rationalization from 28% to 18% brought down the cost of owning new trucks and buses, while GST rate reduction in several other categories of goods is expected to increase the overall freight demand.

In the 2nd Quarter, Ashok Leyland also took a milestone decision to foray into the battery manufacturing business, giving shape to its long-term strategic plans. The domestic MHCV industry grew 4% in Q2. The LCV industry offtake in 2-4 ton category grew by 13%. We believe these are signs of better times for the CV industry. The industry momentum has further built up in October, with MHCV and LCV 2-4 ton industry growing Y-o-Y by 7% and 15% respectively. Ashok Leyland's domestic MHCV truck volume for Q2 was at 21,647 units and MHCV bus volume at 4,660 units. In H1, Ashok Leyland's domestic MHCV market share was at 31%, with a gain of 50 basis points over H1 of last year. This is without defense and EVs.

The LCV domestic volume for Q2 was at 17,697 units, higher by 6.4% on Y-o-Y basis. LCV Vahan market share at the end of H1 stood at 13.2%, higher by 0.9% on Y-o-Y basis. Our exports volume for Q2 at 4,784 units were higher by 45% Y-o-Y. For H1 FY '26, export volume was higher by 38%. It was satisfying to see growth across all our home markets outside India, with GCC, Africa and SAARC corroborating Ashok Leyland's approach of developing strong local presence and building products suiting the local requirements.

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Our non-CV businesses also grew as per plan. The aftermarket revenues for Q2 were higher 11% Y-o-Y. Revenue from power solutions business was higher by 14% Y-o-Y. Revenue from defense business was higher by 25% Y-o-Y. Defense order book and tender wind pipeline remains quite strong. Material cost as a percentage of revenue for Q2 was at 71.2% at the same level as same quarter last year. This was a major achievement given the tariff volatilities and adoption of ACs in MHCV trucks. Our cost savings efforts continue with the same rigor while we are also pushing for better price realizations.

Coming to financials:

The revenue for Q2 was at Rs. 9,588 crores, higher by 9.3% on Y-o-Y basis. EBITDA was at Q2 record level at Rs. 1,162 crores, higher by 14.2% Y-o-Y. Q2 PBT was also at record levels at Rs. 1,043 crores. PAT for Q2 was at Rs. 771 crores. EBITDA margin for the quarter was at 12.1%, higher by 50 basis points against Q2 of last year.

CAPEX for the quarter was Rs. 417 crores and cumulatively Rs. 658 crores for H1. There were no investments in subsidiaries in the first half of the year.

Our cash position net of debt continues to be positive at the end of Q2 at roughly Rs. 1,000 crores, reflecting a positive swing of roughly Rs. 1,500 crores on Y-o-Y basis. We have been able to keep our operating capital very lean and have brought it down by almost 50% on Y-o-Y basis. Due to continued improvement in company's fiscal performance and better outlook for the ongoing years, the Board of Ashok Leyland has recommended an interim dividend of INR 1 per share.

Our product development pipeline is stronger than ever. Our non-diesel portfolio is continuously expanding, with two models of light electric trucks, three models of MHCV electric trucks and several models and variants of electric buses already available commercially. We have also forayed into other greener technologies such as CNG, LNG and even hydrogen. Within the diesel range, we are preparing to soon launch a completely new range of heavy-duty trucks with power ratings of 320 and 360 horsepower. These new trucks are built with next-level of heavy-duty aggregates, delivering unmatched reliability. These products would be fitted with our most modern 6-cylinder engines, delivering highest peak torque in the respective segments, enabling our customer's best-in-class turnaround time and therefore more earnings per month.

We are also working on improving the throughput of our R&D resources, which will help us reduce the time to market and respond quickly to the changing market and regulatory requirements. We are continuously augmenting our fully-built bus capacity to cater to the growing demand of fully-built buses. Our newest and most modern bus plant at Lucknow shall be inaugurated soon. After complete ramp-up of our AP and Lucknow plants, we shall reach bus body-building capacity of 20,000 numbers-plus per year from that of roughly 12,000 numbers at present. We also continue to expand our domestic network. We added 27 MHCV points and 26 LCV touchpoints during the quarter, with most of the additions happening in northeast and

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the central areas. With these additions, total touchpoints are about to touch the milestone number of 2,000, that is 1,100 for MHCV and 876 for LCV. Internationally as well, we are expanding our network in all our four home markets with SAARC, Africa, GCC and ASEAN.

Coming to our subsidiaries:

Switch India continues to do well. For H1 FY '26, Switch India sold close to 600 buses and 600 e-LCVs. I am very happy to share that for H1, Switch India was both EBITDA as well as PAT positive. Order book for the buses at the end of H1 FY '26 stood at 1,650 units. Switch India is progressing well on its target of becoming free cash flow positive by FY '27.

OHM, our eMaaS subsidiary is now operating more than 1,100 electric buses with fleet availability of 98% plus. During the quarter, OHM added more than 250 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 PME drive tender to further add to the growing fleet.

Coming to our financing subsidiary:

Hinduja Leyland Finance, standalone AUM, was at Rs. 52,635 crores, higher by 26% on Y-o-Y basis. Hinduja Housing Finance AUM was at Rs. 14,903 crores, higher 20% Y-o-Y. Total PAT for the finance subsidiaries for Q2 was at Rs. 196 crores and the book value at the end of the quarter was at Rs. 7,418 crores. On a consolidated basis, the NNPA was at a healthy 1.59%. Like we advised earlier, HLF has received the final clearance from RBI to initiate a merger process with NXT Digital, paving the way for its listing. The listing process is progressing as per plan.

We remain steadfastly focused on our ESG commitments. We have now signed four franchisee partners for AL HARIT, our platform for RVSF or Registered Vehicle Scrappage Facilities. In our commitment towards RE100, we have progressed really well. We have achieved 84% RE status, again 69% at end of FY '25, with our Tamil Nadu plants operating now close to 98% RE. Our Road to School and Road to Livelihood programs also continue to grow, extending their reach to about 5.7 lakh students now.

In summary:

We believe we have had a reasonably good Q2 and H1, hopefully meeting or surpassing your expectations. Incidentally, in this quarter, our share price also touched its ever-highest mark in the third week of September. We will continue to make our best efforts to progress on our strategic goal of delivering profitable growth and reach mid-teen EBITDA in the mid-term. For the second half of the current fiscal, we remain optimistic about the growth prospects of the CV industry for both MHCV and LCV segments. The LCV segment has already picked up on the back of GST rate cuts. We believe MHCV industry would also remain buoyant in H2, led by growth in broad-based consumption and increase in infrastructure activity. On back of these and

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basis our upcoming new and differentiated product launches across different segments, we remain confident of posting decent volumes 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 the moderator for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Good evening, sir and congratulations on a very good performance. My first question is just on your full year outlook for MHCVs and LCVs. What kind of growth are you expecting for the full year or second half if you can give a range that would be helpful? And at the time of GST cut, there were certain concerns that input credit may not be available to fleet operators who were organized. So is there a change in demand pattern you are observing between retail and fleet if you could give some color over there as well?

Shenu Agarwal: Thank you, Kapil for the question. You and I both have looked at the uptick in the demand that has happened after GST 2.0 implementation. I would say it is very optimistic. September itself was good but October kind of painted the indication for the future as well. The MHCV industry grew by about 7% in October and LCV was 15%. This was in the lines of our expectation also. We did believe that LCV will grow more than MHCV. But we remain optimistic about H2. I think we should wait for another month or so to really figure out how the whole year will pan out. But definitely, we will say H2 will be much better than H1 in terms of absolute industry volume and also in terms of the growth rates that we have seen. On the GST side, Kapil, it is true that there was some kind of apprehension in the organized large fleet operators. But that is I think a smaller part of the whole dynamics. I think there are three ways to look at it. One is that the price itself, the price of the trucks is going down by 10%, has gotten down by 10%. This will really help everyone to have a better TCO out of the truck. The second is, this GST 2.0 is of course across various categories of goods and has really resulted into a consumption boost and there is no reason that this consumption boost should not long for a longer time and therefore, this should result in higher freight demand. To me personally, higher freight demand is a bigger factor than the price cut or the GST cut for the truck itself. Because when there is demand, people would be coming out to replace their older fleets or buying new trucks. Therefore, that is really seen in the sentiment on the ground that people are now seriously considering replacing their older fleets because of the 10% reduction in the price and also the boost in the demand. The issue of the input credit of course is there. We cannot deny it. But I think if the freight demand overall continues to be better and if there is a price cut which is there already at 10%, I think those two factors will be larger than the input tax factor.

Kapil Singh: Sure, sir. And what would be the average age of the truck that also if you could articulate? And then the second question was on the drivers for margin expansion from here on. If you could just

talk about whether we should expect, will it be more gross margin led or operating leverage led? How to think about discounting? That would be the second question.

K. M. Balaji:

On the margin side, I would say that we continue, Kapil, with all the initiatives which we have been doing earlier on the price recovery side as well as on the material cost, the commodity cost movement as well as on all the material cost reduction initiatives. So all this will continue and you can expect them to continue as they were continuing in the past. So you can expect the same kind of savings to come in. And one more important thing which you should look at will be the growth which is there in the non-truck segment. The revenue growth has been quite good. You would have seen the growth on the export side has been quite phenomenal. We have registered 45% growth for the Q2 and about 30% for the first half of the current financial year. Similarly, the spare parts continue to grow for the third consecutive year after 25% plus growth in the last 2 financial years each year. Similarly, the defence, we have a very good scope for the improvement. And power solution business has also grown by about more than 12%. So all these are actually auguring well for us. The overall revenue mix is good and we hope that this continues. And we also see that the truck demand is also going up. From October we see that there has been a good growth as Shenu indicated, it is about 7% growth which has come and you can work out the math, Kapil. If we continue to get this 7% growth for the next 5 months, what would be the impact on the overall TIV as well as for Ashok Leyland. You can do the math and see.

Kapil Singh:

Sure, sir. Just the average age of the truck, if you could give?

Shenu Agarwal:

Average age of the fleet is around 10 years right now, between 9.5-10.5 years. But of course, that is one way to look at it. But the other way to look at it is that there are huge number of BS-4, BS-3 trucks still available in the fleet. And the thing is that the BS-6 trucks or the latest trucks are much more efficient. They have much better mileage. They have much better capability of power and torque resulting in higher TAT (Turnaround Time). So it makes absolute sense for the customers to replace the older trucks, the BS-2, BS-3, BS-4 trucks with the latest trucks. And we have all been wondering that while the age has exceeded almost 10 years, while it used to be 7.5-8 years, why not this huge trend is seen in the industry that people are coming forward and replacing the trucks. And maybe that GST 2.0 as well as some other activities in H2, like infrastructure activities, better government CAPEX, etc., may start opening up that demand. So the sentiment is very positive on the ground. People are looking forward to these kinds of things. Let us just see how the rest of the year pans out.

Kapil Singh:

Thank you, sir. Best wishes.

Shenu Agarwal:

Thanks, Kapil.

Moderator:

Thank you. The next question comes from the line of Gunjan Prithyani from Bank of America. Please go ahead.

- Gunjan Prithyani:** Hi, team. Thanks for taking my questions. My first question is just clarifications on the prior questions. You spoke about a lot of these non-truck revenues, right? Can you just give us a little bit sense on how big they are as a percentage of revenues now? Particularly looking at spares, defense, engine, exports, and separately LCV as well, a bit more color on the mix of the revenues, if you can share?
- K. M. Balaji:** Now, roughly 50% of the revenue comes from the non-truck businesses. With buses, about 13%; light commercial vehicles, about 12%; spares, about 10% and exports, about 7%-8%.
- Gunjan Prithyani:** Got it. And is it fair to assume that these are accretive to the margins in terms of mix?
- K. M. Balaji:** Certainly. The margins from these businesses are higher than the domestic truck margins.
- Gunjan Prithyani:** Just to be clear, what was this percentage of revenue mix maybe, let us say, a year back? I am just trying to understand the evolution. How big has this become relative to last year or maybe over the last couple of years?
- K. M. Balaji:** It was about 55%-58% about a couple of years ago. Now it has moved to 50% (domestic trucks revenue).
- Shenu Agarwal:** And Gunjan, like Balaji said, these are margin accretive. So some of these businesses have much higher margin than what we earn on the trucks. And therefore, one thing I think which has happened with Ashok Leyland is that our break-even volume we have been able to reduce drastically. Break-even volume when considered in terms of the units we have to sell for MHCV trucks. It used to be about 6,000-7,000 units a month. And now it has dropped to, I would say, more or less closer to 1,000-1,200 units a month. And that is a big change that has happened within Ashok Leyland, obviously, because of two or three different factors. Because of the reduction in the fixed cost overall in line with the revenue, also promotion of these non-CV or non-heavy-duty truck businesses, etc. But that puts us in a very good position. A lot of us worry about the cyclicity in the truck industry, especially the heavy-duty trucks. And now we have positioned the company in a way that even if there is a slight drop in the truck market, we should be quite fine with our profitability.
- K. M. Balaji:** Just to answer your question, Gunjan. FY '22, the share of domestic truck business was 60%.
- Gunjan Prithyani:** That is down to 50% now, right?
- K. M. Balaji:** 51% now.
- Gunjan Prithyani:** My second question is on the LCV business. You did speak about a pretty significant change post-GST there. Can you give us some color on what sort of growth are we looking at? There were a couple of product launches that we have been talking about. And also, can you cover a bit around the capacity? Do we have enough capacity to sort of ramp up volumes in this segment?

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Shenu Agarwal: Yes, Gunjan. As far as the capacity is concerned, our current capacity is close to 80,000 units on the light commercial vehicles. But we have already laid out a plan to increase this capacity to 110,000-120,000 units without much of an investment. So mainly these are process changes and some small investments here or there, but largely leading through process changes and efficiency changes. But no more floor area expansion, no more new buildings, etc. So I think in that way, we can achieve that in a matter of 6-9 months. So that is also good. And as soon as we think that we are getting closer to 80, we will trigger this expansion and we will get 100 or 110, depending on what size of market and volumes we are looking at. Also on the market side, it was expected that LCV will be the biggest gainer among all the segments of trucks and buses from this GST rationalization, largely because this is a retail market with either single owner operator or smaller fleets, and they get directly benefited from this. They do not have even the issue of the input credits, etc. So we are very hopeful that something like this should continue in the future as well. And this is largely a depiction of the boost in the consumption and therefore more demand for freight in the last mile. So we are quite hopeful. And as far as our volumes are concerned, we will definitely try to beat the market growth. And some of our products that we had launched recently, like SAATHI, they are doing really, really well. We think there is much more potential in those products and we will be continuing to exploit that potential in the coming months.

Gunjan Prithyani: Got it. I will join back with you. Thank you so much.

Shenu Agarwal: Thank you, Gunjan.

Moderator: Thank you. The next question comes from the line of Chandramouli from Goldman Sachs. Please go ahead.

Chandramouli: Hi. Good evening and thank you for taking my questions. My first question is just around the post-GST trend of LCV potentially growing faster than MHCV. I just want to understand what percentage of your LCV sales now is coming from the recently launched Saathi product. And also, in terms of pipeline, I think we have been working towards launching a sub-2-ton LCV. I just want to understand if you are able to share any color on potential timing of that launch, how you are looking at that?

Shenu Agarwal: Yes, Chandra, thank you for those questions. As far as SAATHI is concerned, SAATHI, like I said, is really doing well. Actually, it is doing beyond our expectations. We were hoping that it will reach 1,000 units a month within 5 or 6 months of launch. But it has crossed that number quite significantly. Our average LCV sales is roughly in the 2-4 ton category is roughly 6,000 units. And already about 22%-25% sales is Saathi now. And therefore, we are very hopeful. Another important point is that we were a little bit concerned that it may cannibalize some of those sales, which has not happened, right. So cannibalization is there, but to a very low number, like a single digit number, a low single digit number. So basically, SAATHI has been able to address a white space for us. That is what the data is telling us. And I think we have very smartly positioned it. Although we cannot call it theoretically a sub-2-ton product, but it is actually playing in that market. And that a lot of sub-2-ton customers who had purchased their vehicles

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earlier, 5 years, 10 years ago. They are now looking to replace the vehicle. And since the market demand and other dynamics have changed, they want to upgrade that vehicle. They want more loading capacity, loading space. They want better power and torque. They want more comforts, more safety, etc., and that is what SAATHI offers. That is how SAATHI is positioned to take care of the, not the entry-level sub-2-ton customers, but the customers who are replacing their vehicles now, providing them a very good spot at the premium end of the sub-2-ton. So I think the strategy is working quite well. Now, whether we would like to expand SAATHI range to bring it down to specific sub-2-ton, which means like a 1-ton payload or something like that, that is still under consideration. But SAATHI is doing its job. That is what we believe as far as the sub-2-ton market is concerned, because there is hardly any cannibalization with those Dost and Bada Dost.

Chandramouli:

Got it. That is helpful. Second question is just around, I think, accounting in the quarter looks like other expenses control has been pretty strong. We have had pretty good Q-o-Q revenue growth, but other expenses have actually come down. Just want to understand what the drivers were there. And also on the other income, looks like there is a pickup in other income this quarter. Just want to understand if that is the new sustainable rate or if there is any one-off there?

K. M. Balaji:

Actually, Chandramouli, you are right. I will take this opportunity in this question to just communicate that - my request will be for all of you look at the profit before exceptional items and tax, not post the exceptional items and tax. If you look at before exceptional items and tax, it is about 23% higher. Last year, we had the benefit of this investment valuation done, and one of the companies where we have invested and we got about Rs. 117 crores of gain there, which has got accounted. And in the current year, we had to provide for one of the long pending litigations towards, which I will not be able to name the details or give the details. So we have provided. So if you compare year-on-year, it will be Rs. 157 crore of a drop. So don't compare the PAT, because PAT is at the same level, but you have this Rs. 157 crore of negative variance, which is there. But you should factor that also in. And your observation on this other expenditure going up is quite correct. We have exercised control on all areas of expenses. And all the expenses, I would say that the production, sales and administration overheads, we have been having a tighter control on that, which is visible now. And your observation and your question on this other income, why it is higher. In the current financial year, we have fair valued investments of Switch India and one of the other subsidiary companies, which has resulted in about Rs. 50 crores of an income. Other than that, there are no one-offs in this other income.

Chandramouli:

All right, that is helpful. And just lastly, I think some of the senior financiers have been suggesting that after the GST cuts, they have not seen as much impact on their ticket sizes of loads. I think they have suggested that maybe the discount rates in the CV industry might have come down. And then that might be one of the reasons. So could that mean that there might be some positive margin potential in the near term for the CV industry in general? And just as we are talking about pricing, I wanted to understand related to that, the AC cabin related cost hike, is there potential to pass some of those cost hikes on to customers now that demand looks to be slowly picking up versus the first half?

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K. M. Balaji: In fact, your question on this AC cost hike, in fact, we have passed it on to the customers. That is why the margins are holding out, Chandru. We have passed it on to the customers. Otherwise, your margins will drop.

Shenu Agarwal: And maybe, Chandra, I will just point out to one more thing that we are actually very hopeful of, both in terms of our ability to garner better market share and also look at better margins as well which is all these new products that we have been working on for the last couple of years. They all are going to be in the market in Q3 and Q4 timeframe. So just to mention a couple of those, one on the truck side is this new product range that we have developed with our own in-house engine, which now brings our ability to up the power and torque from right now 250 horsepower to go up to 320 and 360 horsepower. Now, these are very unique and differentiating products because the peak torque that this engine or this vehicle will be offering is going to be at least 20%-30% better than the average of the market or even the best of the market, I would say. And therefore, this will create a very unique proposition for us in the market, especially in the segments where customers are looking either for a higher tax or for some other difficult segments where the loads are higher or the terrain is tougher, like in mines, etc. Because there, the key factor is not necessarily mileage, but the key factor is turnaround time, which is based on the fact that how fast the truck can go with a particular load in a bad terrain. So I think we are very hopeful and these products would definitely be positioned on a premium side. I would say these will command the best prices in the market. That is how we are positioning them. And therefore, that will also help us gain some margins, not maybe immediately, but I would say within the next 2-3 quarters, we will see some margin accretion happening from these new products also. Similarly, on the bus side, we are launching a new bus, 13.5 meter with 6 cylinder 4 valve engine, which is in high demand right now. And also we are launching a very unique product called a 15 meter bus, which has the highest sleeper capacity. So I think the kind of products that we have lined up for Q3 and Q4 will not just help us in garnering better market share, but also help us on the margins also. And it also goes in line with our premiumization theory that we have been trying to establish within Ashok Leyland for the last few months now.

Chandramouli: Thank you very much and all the best.

Shenu Agarwal: Thank you.

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

Pramod Kumar: Yes, thanks. So this is Pramod from UBS. And congratulations on a strong operational performance. I couldn't but notice the fact that your EBITDA for this quarter is higher than the whole of FY '22 with just 40% of the volume. So I think indeed a great job, especially on the cost side. I wanted some clarification on Chandru's question on discounting post-GST. So was the response that you are seeing discounting trends getting better post-GST cut or the status quo remains on discounting?

K. M. Balaji: I think Pramod, it is too early to say. Most of the orders that we had been fulfilling in October were actually frozen or dealt with prior to the GST effect. So those deals were in works from that time because these do take about a month or more to finalize, right. But theoretically you are right, and we are also hoping that the discounting trend should be better because there is a 10% reduction in the price and 10% is not small, right and therefore, it should happen. But finally, it depends on various other factors. It is not just a price issue, right. It is also the manner in which the deals are done in the market. There are limited players in every deal, right. So it is very easy for customers to play one against the other, etc. So let us just see. But yes, theoretically, it should help.

Pramod Kumar: And can I get some understanding on your return ratios? Because the way you are keeping a lid on the cost control, cost side and the way your margins are ramping up. And you talked about you significantly improve your operational performance. So if you can just talk about how are the financial metrics looking of the first half of this year in terms of ROCE and ROE numbers and where are we on the cash levels?

K. M. Balaji: Thank you for asking this question. ROCE, Return on Capital Employed, we are at about 34% last year and return on equity is about 32.5%. These are all published numbers. And for the first half of the current financial year, we will be tied low because 40% happens in the first half and 60% happens in the second half. And on the cash side, the surplus, the cash surplus situation, this, in fact, Shenu did mention it in his opening remarks. We continue with Rs. 1,000 crores of favorable cash situation throughout the year. And when you compare it to the same period last year, we were at about Rs. 500 crores of debt. Now, we are at Rs. 1,000 crores of cash. So there is a Rs. 1,500 crores of advantageous situation. So, we continue to have this net cash position. I think if we manage this quarter with the same kind of cash position, and in 4th quarter, we expect good demand and good cash addition to the existing cash situation.

Shenu Agarwal: And from operating business also, you see our operating working capital. We have been able to reduce a lot of it in the last one year timeframe. Look at the receivables in particular, I think there is a Rs. 500 crore reduction in receivables only in the last 1 year from September 24 to September 25. So we are running several projects on better cash management, cost management. And we believe there is still a lot of potential left even in inventory ratios, inventory turnover, receivables, there is a lot more juice that is left.

Pramod Kumar: No, good to hear that. And continuing on the margin side, any thoughts on the commodity basket? We have seen some movement on the precious metal side, aluminum. But when you look at your commodity basket, how do you see that playing out in the near term? I had one last question on the promoter pledge. But yes, I will come to that after this question and response?

Shenu Agarwal: On the commodity side, we think Q3 will be better than Q2. We are already having those indications that we will have some advantage in Q3 over Q2. How much we will see because that gets determined during the third or the second week of December. But we are seeing trends that Q3 will be better as far as commodity costs are concerned than Q2. So we will have some

margin uptake from there as well in Q3 at least. Now, it is hard to say how Q4 will respond, will be in terms of commodity prices. But we don't see a major reason to get concerned even for Q4 right now.

Pramod Kumar: And any update on the promoter pledge? Because we did talk about not letting it go higher even after the IndusInd Bank development. So any update there?

Shenu Agarwal: We don't have the exact numbers right now. But what we can tell you is what we have been telling you, whenever we talk to the promoters, we find them fully committed to Ashok Leyland. So that should not be a concern at all. I think they are trying to reduce the pledge shares. Some reduction has already happened, I think in the recent past, but they are committed to reduce it further. So that is what we know. Other than that, we don't have any further information about this.

Pramod Kumar: No issue, sir. Thanks a lot and wish you all the best. Thank you.

Shenu Agarwal: Thank you.

Moderator: Thank you. The next question comes from the line of Amit Hiranandani from Phillip Capital. Please go ahead.

Amit Hiranandani: Yes, thanks for the opportunity. Sir, it has been noticed that since last 15-16 quarters, the EBITDA margin on Y-o-Y basis has been continuously, consistently improving. So that is a commendable job for the management. So my first question is basically, anything to read into the working capital, which seems to have increased resulting to negative OCR?

K. M. Balaji: No, actually, working capital, we have been working on consistently. As Shenu did mention about the reduction, which has happened while answering for the previous question. We have been working on three aspects on the working capital - One is the receivables, the second one is on the inventory and the third one is, of course, payables. Payables, we don't have much of option left. On the inventory and the receivables, we have worked. And on the receivable side, certainly, we have worked and we have reduced about Rs. 500 crores on the receivables alone when you compare it to the same period last year. On the inventory, again, we will not be able to bring it down at the year opening level because we would require to maintain a minimum level of inventory during the year to meet the increase in the demand. As this was also explained by Shenu earlier, that October month volume has been quite robust. There has been an increase, 7%. So to meet these kinds of increases, we need to have the inventory levels at the required levels. So we may have to maintain. But all this, we are closely monitoring and we are performing much better if you look at the same period last year.

Shenu Agarwal: Amit, just to add to this, since we are in a seasonal kind of a market, our numbers in the quarters, in different quarters vary quite a bit. So it is better to compare operating working capital with the same point in time last year rather than year beginning.

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Amit Hiranandani: Noted, sir. Sir, the second question is within small commercial vehicles. So Ashok Leyland, how much presence we have and do you see any product gaps, especially in the 2-5 ton segment and any plans for the launches here?

Shenu Agarwal: No, actually, 2-4 ton is a major part of the segment, which is more than 50% of the overall market. But within this 2-4 ton, we don't think we have any gaps. I could think of only one gap, which is like the absence of a bi-fuel product. But so far, some of the parts of the country, especially the NCR region and some parts of Mumbai and even Gujarat, they have shifted to bi-fuel. And bi-fuel is becoming very popular, which is a combination of either CNG and petrol or CNG and diesel. Diesel is a backup. Now, we didn't have that product in the portfolio, but I am happy to report that within the next 1 or 2 quarters, we will be launching that product as well. Actually, the product is ready completely, but we are just testing it to make sure that all boxes are ticked before we launch the product. But in 2 to 5 ton, we are sufficiently covered.

Amit Hiranandani: Just a follow-up on this small commercial vehicle, like what is the presence we have across the North-East and West-South region and what are the plans for the network expansion here?

Shenu Agarwal: Listen, we have really expanded. We are very focused on expansion of network. We know that we have to do a much better job as far as network presence is concerned in North, East and Central. But we are very happy with the progress we have made. Just giving you some ballpark numbers, like MHCV, our network presence two years ago, like end of FY '24, we were at 800 touchpoints. And now we are roughly close to 1100 touchpoints now. Similarly, in LCV, we are at roughly 900 touchpoints and we used to be at 600 touchpoints. Also, in LCV, we have appointed 2300 plus ALTTs, which we call Ashok Leyland Trained Technician, which are third-party technician, but getting to our products with our branding and stuff like that. So I think on network, we have really put a lot of effort and a lot of focus. And it is not just in the quantity, but we are also improving the quality of the network in a lot many different ways. I have spoken to you about Project Dhruv, which is one of our flagship projects. And what we are trying to do in that project is to benchmark our service processes with the global best. Even the car industry, we are benchmarking that how we can improve our customer experience, how we can improve our turnaround time in workshops, how we can improve the first time right repairs, how we can strengthen our mechanics with the right information using tools such as AI and analytics, how we can digitize the whole service operations in our 1000 workshops. So this project I think is going to, although it is going to take some more time, maybe 12-18 months to fully embrace all the improvements. But I think it is going to be a game changer for us in future.

Amit Hiranandani: Right. Sir, lastly, one last question, basically, if you can throw some idea on industry's truck utilization level, and how do you see it trending in the H2? Also, if you can throw some light on the present Ashok Leyland's inventory and price increases any, if you have taken any in Q2?

Shenu Agarwal: Price increase in Q2 was not there, there was no specific price increase action. But of course, we have a theory of trying to gather better NSR, either through mix or through reduction in discounts. And that has happened to some extent, and that effort will continue in the future. At

the right time, we will take a look whether we can increase the price also. That may not happen in Q3, but we will see if we can do it in Q4 or in Q1 of next year. But yes, we are very focused on improving the NSR through mix as well. Now, you know that we had lost some market share in Tipper where our margins are really very high. This is one of the segments where we command the highest margins in percentage and absolute sense. And Tipper, we had lost some market share. And since we are launching the 320, 360 HP Tippers, we do hope that we will make a big comeback in the Tipper segment with improved market share. And therefore, that would also help us in the margin mix.

Amit Hiranandani: Just on the industries truck utilization level, if you have any idea?

Shenu Agarwal: The truck utilization is not bad, in the times of monsoon use, you know that it dips about 10 percentage points or sometimes even more in some areas. But right now, we will say that it is very stable. And if the demand continues, like it has shown in October or the latter half of September, then we think the utilization will continue to improve during the year.

Amit Hiranandani: All the best. Thank you so much.

Shenu Agarwal: Thank you, Amit.

Moderator: Thank you. The next question comes from the line of Raghunandan from Nuvama Research. Please go ahead.

Raghunandan: Congratulations, sir, on strong numbers. Firstly, on exports, you indicated growth in GCC, SAARC, and Africa, how do you see the growth now on a full year basis and share of exports has come to 7%-8% of revenue in Q2. How do you see this share increasing over the next 2-3 years?

Shenu Agarwal: Yes, Raghu, on the export side, you remember I think about 3 years ago, our volume used to be 8,000. And when we had the Investor Day, we said this is one of the focus area and our mid-term target is going to be 25,000 units. So I think we have progressed very well. I think since FY '22. And last year, our volume was 15,000 plus in exports and this year, we are targeting about 18,000 units in the exports. This year, Balaji told you that we have grown more than 35%+ so far in H1. And therefore, to achieve 18,000 units over a base of 15-15.5 should be achievable. Now, of course, the next couple of years or maybe 3 years, we would definitely like to touch that 25,000 mark as well. Exports, as you are aware, the margins are fantastic and therefore, it also helps us in the margin equation.

Raghunandan: Good to hear that, sir. On the CAPEX side, first half was Rs. 658 crores and there were no investments in first half. How do you see the full year number for CAPEX and investment and also a little bit color on the areas of utilization of CAPEX?

- K. M. Balaji:** Raghu, thanks for your question. CAPEX, as we have guided earlier, it could be between Rs. 800 and Rs. 1,000 crores. That could be the thing. You can expect around Rs. 1,000 crores of CAPEX which is getting incurred. This year, as we had already indicated, we are pursuing our CAPEX expenditure plan relating to the center of excellence which we have established as well as Shenu spoke about the higher horsepower engine nodes development. So we are incurring CAPEX towards all these things and one more thing which I should register here is that we have also gone ahead and purchased a piece of land which is next to our corporate office building. It is about five grounds where we would construct a corporate office, another building of our own. So all these put together got reflected in that 658 and you can expect about Rs. 1,000 crores of CAPEX getting incurred in the current financial year. And on the investment side, it depends on the requirement of the associates and the group companies. We see some requirement coming in for our group company covering home and the Hinduja Leyland Finance, if they require capital. You would have seen the growth in the AUM of Hinduja Leyland Finance. So there is plenty of business opportunity and their business opportunities are restricted with the availability of the cash, availability of the money and the Tier-1 capital is also pretty low where RBI has been insisting on the requirement of more investment in Hinduja Leyland Finance. So, depending on the requirement, we will invest. But I don't foresee anything beyond Rs. 500 crores at this point of time.
- Raghu:** Thank you, sir. And just on the Hinduja Finance, any timeline for listing? That is my last question?
- K. M. Balaji:** Timeline, we said in the earlier conference call that it could take a minimum of the Q1 of the next financial year. That will be the minimum time limit which will be required.
- Raghu:** Thank you, sir. Wishing you all the best.
- K. M. Balaji:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Pramod from Incred Capital. Please go ahead.
- Pramod:** Thanks for the opportunity. Wanted to know for Hinduja Leyland Finance, what is the mix of small truck operators and the large truck operators in the disbursement AUM?
- K. M. Balaji:** Actually, the commercial vehicle finance is only, I would say, a decent portion in their overall finance portfolio. They finance other areas also. They have a housing arm also, Hinduja Housing Finance, which does the funding of about Rs. 16,000 crores. And they also do the funding on the other areas, heavy earth equipments, two-wheelers and to a certain extent on the three-wheeler also. So their entire portfolio is not fully CV. They are into other businesses also.

- Pramod:** The reason to ask you is also how are you seeing the behavior in the small truck guys? Do you see their profitability improving and hence the loan servicing is much superior in the recent weeks, months? Any color on that?
- K. M. Balaji:** We don't see any kind of spurt in the delinquency or the provisioning in this Hinduja Leyland Finance as well as in the Hinduja Housing Finance. Their GNPA and NNPA are at, I would say, at very reasonable levels.
- Pramod:** And the second one is with regard to Switch, what new products we need to look forward to in the second half or FY '27 to sustain this momentum?
- Shenu Agarwal:** Yes. So on the Switch side, we have been working on 2 or 3 new products, which are very critical for us to expand the business. One was a 9 meter. So 9 meter was coming in two different formats. One is the standard floor, the other one is the low floor. We are very close to launching those products now in the market. There is a lot of quantity of 9 meter available through the PME drive tender also, where we will be bidding on 14th of November. And hopefully, if we win some of those tenders, this 9 meter will really add up to our expansion plans in Switch. Also, we are working on 1 or 2 nodes in the trucks, in the light commercial vehicle trucks. So that should happen ideally in FY '27. We are also working on a smaller bus, smaller than 9 meter, which should also happen in FY '27 or early FY '28. Also, we are now shifting the production of our E1 bus, which is the European and UK bus, electric bus to RAK. I think we spoke about this last time also, because the UK facility was, the cost structure was very high and it was very unviable to produce buses in UK. And therefore, we have now decided to shift the production to RAK. So I think these are the 4 or 5 new products that we are looking forward. That should help us increase the sales volume and the topline at Switch.
- Pramod:** Thanks a lot.
- Moderator:** Thank you. The next question comes from the line of Basudeb Banerjee from CLSA. Please go ahead.
- Basudeb Banerjee:** Yes, thanks. So congrats for a decent set of numbers. A few questions. One, sir, the exports moving from 12,000-18,000 and then in next 2-3 years' outlook towards 25,000. That is fabulous. So you said the GCC and African markets driving, but what suddenly picked up this fiscal that growth was almost 35% in first half, which is a humongous percentage terms. And those developments going ahead to reach 25,000 in next 3 years, then the growth will also taper down. So if you can explain us the parts of what changed this year to drive such a growth and also higher margin businesses?
- Shenu Agarwal:** Yes, Basu, let me first clarify that while we have achieved 35% in H1, we are still saying that we will achieve, our target is to achieve 20% CAGR for next 3 years, right. So there will be some periods where we will do more than 20. Maybe there are some periods, we will do slightly less than 20. But our target is to grow 20% per year so that we can reach that 25,000 number

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from last year's 15,000. So I think there are two things working in our favor here. One is that GCC, we are present there for last 20 years as well as in SAARC. And we have established these as our home markets. So we have investments in local production. We have investments in local supply chain. We have very strong partners for distribution and service. And this is all playing to our advantage now. The other part is that we are developing products specifically tuned to these markets more and more. We are doing so. The base product is still our Indian product, but we are making a lot of changes to make these products suitable for the local market. So we even have like a small R&D center, for example, in RAK, which is continuously in touch with the local people and the local customers to see what kind of requirements are forthcoming. So, I would say it is the product's suitability to the market, our long-time presence, the trust that customers impose on us. And the third would be our acute focus to grow exports.

Basudeb Banerjee: Sure, sir. That is great. Second, sir, if you can quantify the initial speech you said, which was EBITDA and PAT positive in first half, if we can quantify that?

Shenu Agarwal: Basu, we don't normally reveal those numbers. Let the company grow to a sizable volume on the topline, and then we will start sharing those. But the target, next level target is to make it free cash flow positive by FY '27.

Basudeb Banerjee: That is great. The third question is somewhat in continuation with the question asked earlier. So now with confidence of fleet owners, sentiment improving, freight rates moving in the right direction, and GST cut reducing capital cost, freight demand sentiment improving. So under that background, what is the discounting situation now, and what is the potential reduction further, which would give us some visibility of margin accretion quantification?

Shenu Agarwal: Yes, I think Pramod from UBS also asked this question. And what we had responded for that question was that it is too early. Theoretically speaking, discounting should come down because there is a huge reduction in the price related to GST. But we will have to see how the market behaves, how the customers are behaving. But if the trends of demand continues to be what we have seen in October which is much better growth than what we have seen in September, I think there will be then opportunities to see how we can increase the prices also at some point in time or reduce the discounts.

Basudeb Banerjee: That is great. And if I can chip in with the last question, like one of the key market leaders now acquiring a global CV maker, which will also give them access to manufacture higher gross vehicle weight commercial vehicles. In India, typically on the higher end of HCV, we are limited to 45-48 ton gross vehicle weight models, whereas the tonnage moves up, fixed cost per ton for fleet owner reduces. So do we see the need to go beyond 50 GVW ton trucks down the line? Or do you see a market in India evolving in that segment?

Shenu Agarwal: Yes, Basu, unfortunately, the GVW is not our choice. It is limited by regulation. The maximum we can go to is 55 and that is for tractor trailer only. And for the rest of the segments, we can go only up to 48. Yes, so that is by regulation, we cannot improve. But what we can do is definitely

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improve the turnaround time, improve the average speed since the highways are much better now. If a truck was running at 40 km per hour average, we can see if it can run at 50 km per hour average. And therefore, the utilization of the truck or the revenues it generates on a monthly basis or a quarterly annual basis would be much better. So that requires higher power and torque. And definitely, now we have in Ashok Leyland, I can tell you that we have our technology and product roadmaps very well laid out for the next 10-15 years as to what we are going to do for each segment in terms of not just performance or aggregates or chassis, but also in terms of safety, comfort and a host of other things. So we can tell you with confidence that we have been a technology leader and we would like to maintain that position of being a technology leader in the CV space.

Basudeb Banerjee: Great, sir. All the best. Thanks.

Shenu Agarwal: Thank you.

Moderator: Thank you. We take that as the last question for today's conference. I would now like to hand the conference over to management for closing comments.

Shenu Agarwal: No, I just wanted to thank you once again. Thank you for your trust in Ashok Leyland. I know you have huge expectations from us as we continue to deliver, but our management is very focused. I think our mantra is, of course, profitable growth. But within that profitable growth, we are working on making sure that we are a very lean company. We stay a very lean company. So there is acute focus on every penny of cost that we manage. Also, we are on a premiumization route, which means that we would continuously bring in products that are more differentiated, that are at the higher end of the value chain, and therefore we can command better and better prices. And definitely on the third side, I would say that we will continue to be focused on cash as well. We really want to generate a lot of cash to be able to invest in the future. But thank you again for your time and thank you for joining us today.

Moderator: Thank you. This brings the conference to an end. On behalf of BNP Paribas Securities India Private Limited, we thank you all for joining us. You may now disconnect your lines. Thank you.