

Ashok Leyland

₹125

*In a New Circuit...!!!***Buy**

Oct 06, 2017

Company Background

Ashok Leyland Ltd is engaged in the manufacturing of commercial vehicles and related components. The company's products include buses, trucks, engines, defense and special vehicles. From 18 seater to 82 seater double-decker buses, from 7.5 ton to 49 ton in haulage vehicles, from numerous special application vehicles to diesel engines for industrial, marine and genset applications, it offers a range of products. The company is the flagship of the Hinduja Group, one of the largest commercial vehicle manufacturers in India. It's headquartered in Chennai, India and incorporated in the year 1948 with the name Ashok Motors. The company was set up in collaboration with Austin Motor Company, England for the assembly of Austin cars. The company is significantly expand network presence by opening 3 dealer outlets in a day. It inaugurated the company's new Driver Training Institute at Chhindwara. The company launches 'Luxura Magical India' Bus, in support of 'Charter for Charity'. Company has 9 plants including one each at Great Britain and Ras Al Khaimah (UAE).

Key Highlights

- ➔ Company's core business is Commercial Vehicles and it is contributing approx 86.60% of total turnover, for 2016-17 company revenue ₹ 2,20,424.8 mn.
- ➔ For FY 2016-17 Company revenue was improved by 8.29% to ₹ 2,20,424.80 mn and Net profit also jumped by 213.93% to ₹ 12,230.80 mn on YoY basis.
- ➔ Ashok Leyland's Operating profit jumped by 28.20% to ₹ 20,033.60 mn and Taxation charges depreciated by 75.50% to ₹ 1,070.10 mn on YoY basis for FY 2016-17.
- ➔ Financial charges declined by 13.40% to ₹ 366.30 mn and depreciation also decreased by 5.27% to ₹ 1,321.30 mn on QoQ basis for June 2017.
- ➔ Company is already developed country's first Circuit electric bus designed and engineered entirely in India and as the Indian Government is also moving 100% e-Vehicle by 2030, it is a good opportunity for the company.
- ➔ Ashok Leyland going to invest ₹ 400 cr into developing a new family of light commercial vehicles that will help fill up product gaps over the next three years.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	1,53,327.9	2,03,555.7	2,20,424.8
Rev. growth (%)	32.22	32.76	8.29
EBITDA (INR mn)	7,387.4	12,520.5	15,620.8
Net profit (INR mn)	3,348.1	3,896.0	12,230.8
Shares outstanding (mn)	2,845.9	2,845.9	2,845.9
EPS (INR)	1.1	1.4	4.3
EPS growth (%)	881.82	26.85	213.87
P/E (x)	68.10	79.23	19.66
RONW (%)	6.89	16.28	21.21
ROCE (%)	9.36	24.07	17.86

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Info Codes

Reuters	: ASOK.BO
Bloomberg	: AL IN
NSE	: ASHOKLEY
BSE	: 500477

Market Data

52 Wk Range (₹)	: 73/126
Shares in Issue (mn)	: 2,845.9
Market. Cap (bn)	: 365.38
BSE 2 Wk Avg Vol	: 1876000

Share Holding Pattern (%)

Promoters Holding	: 51.29
Public & Others	: 11.11
Corporate Holding	: 02.20
Foreign Institution	: 25.95
Institutions	: 09.45

Investment Theme

Ashok Leyland is the second largest manufacturer of commercial vehicles in India, the fourth largest manufacturer of buses in the world and the 12th largest manufacturer of trucks globally. With a turnover in excess of \$ 3.3 bn for 2016-17 and a footprint that extends across 50 countries. Commercial Vehicles segment registered a growth at 4.16%, Medium & Heavy Commercial Vehicles grew by 0.04% and Light Commercial Vehicles grew by 7.41% during the FY 2016-17 over the same period last year. Company has an overall 3.3% growth in sales during the financial year 2016-17, to 1,45,066 units. Sales of M&HCV increased to 1,13,296 units with a growth of 3.21% and Light Commercial Vehicle have grown 3.5% to 31,770 units. The market share in M&HCV grew from 31.3 % to 32.5%. Now company is focusing on e-Buses, which is the future.

2nd Largest Manufacturer in India...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	1,39,164.6	1,93,731.1	39.2	2,04,777.0	5.7
Other Income	4,925.8	(732.0)	(114.9)	2,517.7	(443.9)
Change in Stocks	526.2	4,290.2	715.3	7,090.8	65.3
Raw Material Con.	1,00,178.2	1,36,238.8	36.0	1,46,663.5	7.7
Employee Exp.	11,860.3	13,860.9	16.9	15,541.8	12.1
Indirect Taxes	9,237.5	10,556.7	14.3	13,130.1	24.4
Other Exp.	10,820.1	21,012.1	94.2	19,016.5	(9.5)
Operating Exp.	1,32,096.1	1,81,668.5	37.5	1,94,351.9	7.0
Operating Profit	12,520.5	15,620.8	24.8	20,033.6	28.2
Total Interest	3,935.1	2,476.4	(37.1)	1,553.8	(37.3)
Gross Profit	8,585.4	13,144.4	53.1	18,479.8	40.6
Net Dep.	4,163.4	4,879.0	17.2	5,178.9	6.1
Total Taxation	1,073.9	4,369.4	306.9	1,070.1	(75.5)
Net Profit/Loss	3,348.1	3,896.0	16.4	12,230.8	213.9

4 Years Balance Sheet

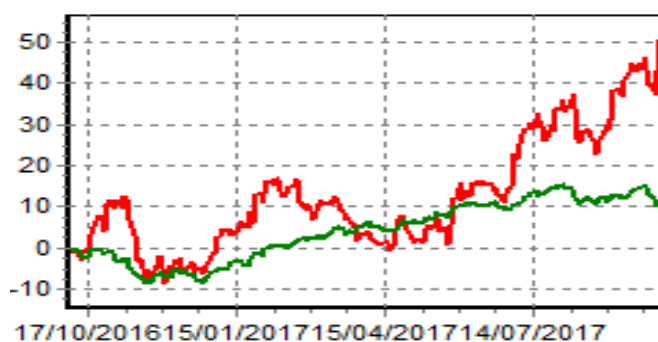
(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	92,084.5	85,674.0	81,484.1	84,899.5
Equity Share capital	2,660.7	2,845.9	2,845.9	2,845.9
Equity Application Money	0.0	0.0	0.0	80.7
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	41,818.2	48,341.1	51,225.6	58,334.1
Secured Loans	23,023.0	14,583.3	9,341.3	7,804.3
Unsecured Loans	24,582.6	19,903.7	18,071.3	15,834.5
USES OF FUNDS	92,084.5	85,674.0	81,484.1	84,899.5
Gross Block	86,723.2	85,553.1	52,789.1	58,578.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	30,124.6	32,997.6	4,869.2	8,870.7
Net Block	56,598.6	52,555.5	47,919.9	49,708.1
Capital Work in Progress	1,815.3	1,201.4	758.6	2,058.6
Investments	27,896.9	26,488.3	19,804.4	28,788.6
Current Assets	31,423.6	42,845.4	51,809.5	49,824.3
Less : Current Liabilities	31,927.9	42,338.3	42,962.4	51,827.0
Total Net Current Assets	(504.2)	507.2	8,847.1	(2,002.7)
Misc. Expenses not writtenoff	6,277.9	4,921.6	4,154.1	6,346.9
NOTE				
Book Value of Unquoted Investments	27,250.7	25,842.1	19,583.8	28,788.6
Market Value of Quoted Investments	2,731.1	4,675.0	220.6	0.0
Contingent Liabilities	3,240.7	3,991.3	4,535.9	5,306.1
Dividend (%)	0.0	45.0	95.0	156.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 16	Dec 16	Mar 17	Jun 17
Net Sales	45,031.7	45,162.9	66,178.9	42,377.8
Cost Of Sales	40,859.1	40,621.7	62,388.3	39,442.8
Operating Profit	4,172.6	4,541.2	3,790.6	2,935.0
Other Income	1,574.2	257.8	632.3	384.1
Adjusted PBDIT	5,746.8	4,799.0	4,422.9	3,319.1
Financial Expenses	339.4	453.3	423.0	366.3
Depreciation	1,261.1	1,313.4	1,394.8	1,321.3
Other Write Offs	0.0	637.1	0.0	26.7
Adjusted PBT	4,146.3	2,395.2	2,605.1	1,604.8
Tax Charges	1,202.2	778.0	(2,156.6)	492.4
Reported Profit	2,944.1	1,617.2	4,761.7	1,112.4
Extra Ordinary Items	0.0	0.0	(3,508.5)	(73.8)
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	2,944.1	1,617.2	8,270.2	1,186.2

52 Week Index Relative Percentage Appreciation

Ashok Leyland vs SENSEX
Risks Associated

- Exports of M&HCV was declined by 4.20% to 11,771 units, LCV also depreciated by 5% to 64,552 units during the year 2016-17. The new GST Regime may also post a threat.

Scope of Growth

- Ashok Leyland announced the formation of a strategic alliance with SUN Mobility, this partnership between Ashok Leyland and SUN Mobility will leverage India's innovation and engineering potential to develop truly world class electric mobility solutions.
- Presently, Ashok Leyland's market share in India is 15%. Company ended its partnership with Nissan a year ago so that, it could expand rapidly within & outside India.
- The company had elaborate plans to rapidly manufacture left-hand drive vehicles to cater to the global need. Company want to make faster left hand vehicles to cater to the global demand.
- The LCV market is expected to grow to 6,00,000 units by 2020 at present market share 24%, grew by 7.41% during the financial year 2016-17 over the same period last year.
- Company has overall growth 3.3% in sales during the financial year 2016-17, with total sales of 1,45,066 units as against 1,40,457 units during the previous financial year.
- We are expecting that, commercial vehicle to grow by 5-6% in FY 2018 due to normal Monsoon and GST bill. The sales growth can visible now, it could reduce vehicle price by 3 to 4%.

In a Nutshell

Ashok Leyland, received an order for ₹120 cr from Rivigo, which is India's most innovative and fastest growing logistics company. Order is to make 500 fully-built vehicles is driven by the success of the innovative iEGR (Intelligent Exhaust Gas Recirculation) technology which has been developed indigenously by Ashok Leyland. And it has another order from KSRTC for 3019 buses. This order, is one of the largest from a State Transport Undertaking for a single OEM, would be executed in the current financial year which would help Ashok Leyland in furthering its leadership position in buses. The order size is about ₹ 650 cr. Company introduced the Digital Market Place, an industry-first combination of four innovative digital solutions. These solutions, developed on the brand philosophy of 'Aapki Jeet, Hamari Jeet', have the potential to transform the commercial vehicle business in the country. Riding on the exponential smartphone growth, these digital solutions are simple to use, compatible with all smartphones, and work like any other, everyday app. The four digital solutions, will help customers manage their business with a simple tap, by making it simpler for them to log on to their business from anywhere and manage their operations easily. Ashok Leyland unveiled the Country's first Circuit electric bus designed and engineered entirely in India, by Indians, for the Nation. It has the vision for the future of mass mobility, the country's first Made in India 100% electric bus is a zero-emission vehicle created by Ashok Leyland specifically for Indian road and load conditions. This new Circuit range of vehicles will be offered on multiple platforms. It has good orders, some of those will get supply by end of this financial year and company has good vision on technology for future.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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