

ASHOK LEYLAND LTD.

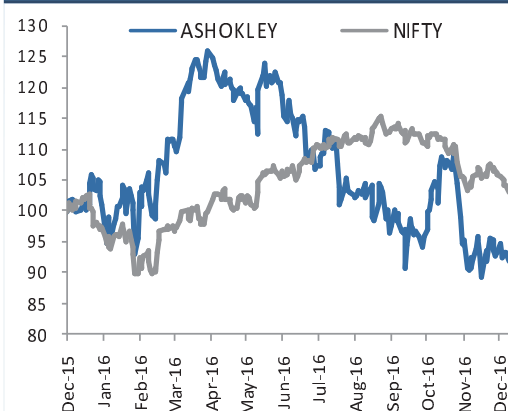
Result Update	
CMP	77
Target Price	110
Previous Target Price	120
Upside	44%
Change from Previous	-

Market Data	
BSE Code	500477
NSE Symbol	ASHOKLEY
52wk Range H/L	113/74
Mkt Capital (Rs Cr)	21,799
Av. Volume	567130
Nifty	7,908

Stock Performance			
	1Month	1Year	YTD
Absolute	-0.6	-12.9	-13.0
Rel.to Nifty	2.0	-13.5	-12.5

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoter	50.4	50.4	50.4
Public	49.6	49.6	49.6
Others	--	--	--
Total	100.0	100.0	100.0

Company Vs NIFTY



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Ashok Leyland reported 6.4% decline in revenues during 2QFY17. CV volumes contracted by 10% YoY but realization increased by 4% YoY during the quarter. Domestic M&HCV market share increased by 220 bps QoQ to 33% in 2QFY17, due to intense competition from competitors in the form of discounting. The country would be moving to BS-IV norms in April, 2017 and a significant amount of pre-buying expected, especially in the fourth quarter of FY17. Ashok Leyland is already manufacturing commercial vehicles with EURO-IV engines in India and EURO-VI engines for export market, which is similar to BS-IV and BS-VI norms. Management's focused approach towards curtailing debt and concentrating in its core CV business will help the company to gain further market share and revenue growth in domestic and exports businesses.

2QFY17 Result Highlights

Revenue declined by 6.4% YoY to Rs.4622 crore in 2QFY17 due to 15%YoY decline in M&HCV segment. Realisation grew by 4%YoY due to higher sales in the exports market combined with higher revenues from spare parts.

EBITDA margin contracted by 40 bps due to higher other expenses during the quarter.

PAT margin grew by 260 bps to 6.4% due to lower interest cost and tax expenses.

Outlook

Going forward, We assume that the upcoming emission norms BS-IV to BS-VI, focus towards the export markets, improvement in demand from infrastructure segment, diminution of investments in subsidiaries will help the company to focus on its commercial vehicle business and government's initiative to develop defence products in the country can be volume boosters for the company in FY17. The current demonetization issue has impacted the transport sector most because a lot of transactions happen through cash. The sales may be down by 10-12% for next couple of months but we are hopeful that the situation might improve in 4QFY17 due to pre-buying during the quarter. We expect that the company will maintain a healthy ROE of over 20% going ahead. We maintain **'BUY'** looking at the huge growth potential going ahead but considering the uncertain demand scenario we reduce our target to Rs.110.

Rs. In crore

Financials	2QFY17	1QFY17	2QFY16	QoQ	YoY
Sales	4622	4259	4940	9%	-6%
EBITDA	536	476	594	13%	-10%
Net Profit	294	282	287	5%	3%
EBITDA%	11.6%	11.2%	12.0%		
PAT %	6.4%	6.6%	5.8%		