

Jun 14, 2013

ASHOK LEYLAND LTD.

BSE Code: 500477

NSE Code: ASHOKLEY

Reuters Code:

ASHOK.NS

Bloomberg Code: AL:IN

Ashok Leyland Limited (ASHOKLEY) is engaged in the manufacturing of commercial vehicles and related components. The Company's products include buses, trucks, light vehicles, defense vehicles and powers solutions. It provide buses range from 18 seaters to 80 seaters. The Company offers power solutions by supplying engines for range of applications apart from vehicles, such as for running generator sets, for marine applications or for powering earth-moving equipment, compressors, cranes and harvester combines. During the year, the company increased its market share to 26.5% in the domestic M&HCV space with a volume of 70,917 vehicles. Exports were lower at 8,778 nos. compared to the previous fiscal, largely owing to losses in key SAARC markets.

Investor's Rationale

Topline hit by 14.2% YoY on lower demand of M&HCVs—ASHOKLEY, registered a decline in its topline by 14.2% YoY to ₹36.48 bn for Q4FY13 against ₹42.54 bn in Q4FY12. Company's sales volumes declined by 2.92% YoY. In terms of segments, the sales volumes of Medium and Heavy Commercial Vehicles (M&HCV) declined by 23.31% YoY. At the same time, the volumes of Light Commercial Vehicles (LCV) grew by a whopping 125.30% YoY, this helped cushion some of the impact. However, since the price of M&HCVs is much higher than that of LCVs, the revenues of Ashok Leyland have taken a hit.

Bottom-line declined 42.0% YoY, on pressurized OPM & lower topline—The company's net profit plummeted by 42.0% YoY at ₹1.5 bn primarily on the account of pressurized OPM. Increase in other income and lower tax by 6.0% & 79.6% YoY respectively could not have much impact on PAT. While, EO income of ₹1340 mn (against a paltry ₹15.9 mn in previous year) comprising of net profit on sale of long term investment and diminution in the value of long-term investments that restricted the fall in profit at PBT after EO level. Thus, NPM contracted by 195bps YoY at 4.0% against 6.0%.

EBITDA margin halved to 5.3%—The EBITDA of the company declined 57.8% YoY at ₹1.98 bn, primarily on increase in purchase of stock in trade and employee cost by 143.9% & 14.3% YoY at ₹4.47 bn & ₹2.82 bn respectively. Thus OPM contracted by 544bps YoY at 5.3% against 10.9%.

Plan to launch new products—The company has plan to launch a new range of ICV products in July and the heavy truck cab in October. Its JV with Nissan is also planning a slew of new products that will expand its range in the LCV sector.

Market Data

Rating	BUY
CMP (₹)	22.4
Target Price	25.0
Stop Loss	21
Duration	Short-term
52-week High-Low (₹)	28.7/20.3
Rise from 52WL (%)	10.3
Correction from 52WH (%)	21.9
Beta	0.8
1 year Average Volume (mn)	5.9
Stock Return (%)	3M- (1.8)
	6M- (18.1)
	1Y- (15.6)
Market Cap (₹bn)	59.6
Book Value (₹)	12.5

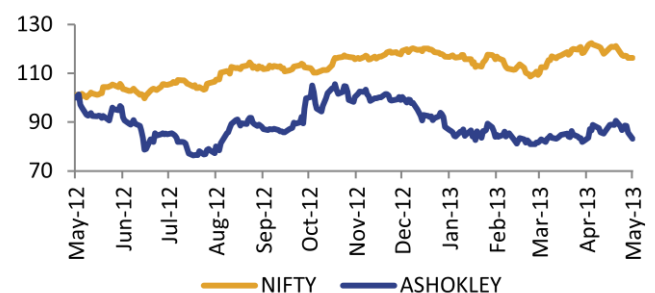
Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	38.61	38.61	0
FII (%)	16.89	16.93	(0.04)
DII (%)	13.13	13.67	(0.54)
Public & Others (%)	31.37	30.79	0.58

Quarterly Performance

(₹bn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	YoY Change(%)	QoQ Change(%)
Sales	36.48	42.54	23.48	(14.2)	55.4
Op. exp	35.32	38.59	23.03	(8.5)	53.3
EBITDA	1.98	4.70	1.03	(57.8)	91.8
OPM (%)	5.3	10.9	4.3	(554bps)	102bps
Net profit	1.50	2.59	0.74	(42.0)	102.4
NPM (%)	4.0	6.0	3.1	(195bps)	95bps
EPS (₹)	0.6	1.0	0.3	(42.3)	100.0

One Year Price Chart





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