

Ashok Leyland

14 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Ashok Leyland Q1 FY27 earnings conference call. As a reminder, all participant lines will be in 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 the operator by pressing star followed by zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Joseph George from IIFL Capital. Thank you, and over to you. Mr. Joseph?

Joseph George – IIFL Capital: Good evening, everyone. On behalf of IIFL Capital, I welcome you all to the Q1 FY27 results conference call of Ashok Leyland. I also welcome the senior management of Ashok Leyland, Mr. Shenu Agarwal, Managing Director and CEO, Mr. K. M. Balaji, Whole-time Director and CFO, and the investor relations team. Now I will hand over the call to Mr. Shenu Agarwal. Over to you, sir.

Shenu Agarwal – MD & CEO: Good evening, everyone, and thank you for your trust in Ashok Leyland, as always. As we have all witnessed, Q1 this year was marked by various geopolitical uncertainties, translating into widespread challenges for the Indian automotive industry. The sequence of events that unfolded put the industry's execution capabilities and supply chain resilience to the test, and also raised questions about the impact on customer sentiment and market demand.

Ashok Leyland has been able to weather these volatilities well, and I am happy to report yet another quarter of strong financial performance for the company. For Q1 FY27, we achieved an all-time high CV volume, revenue, profit, and cash surplus. Continuing from FY26's historic records, we delivered broad-based growth across all our core businesses, demonstrating the resilience of our operations and the trust our supply chain partners and customers place in us.

Q1 started with moderate CV industry volume growth due to fuel supply and pricing issues. However, it bounced back strongly in June once the situation stabilized. Overall in Q1, the domestic MHCV industry volume grew by 13% on a year-on-year basis, while the domestic LCV Vahan industry grew by 17%. This is indeed a strong performance, especially given the headwinds faced during the period. This robust momentum demonstrates strong industry fundamentals and sustained growth potential for the Indian CV industry.

Ashok Leyland's domestic MHCV truck volume for the quarter was 22,998 units, higher by 15% on a year-on-year basis. Our bus volume declined during the same period, mainly in the STU segment, as the company decided not to take some unprofitable orders. In the medium-size bus segment, which is about two-thirds of the total bus industry and is one of the company's focus areas for growth, we performed better than the industry and increased our share. Overall, Ashok Leyland's domestic MHCV market share stood at 29% for the period.

Ashok Leyland's domestic LCV off-take volume for Q1 was 18,874 units, higher by 21% year-on-year. This is the highest-ever Q1 volume recorded in the LCV business. LCV Vahan market share for Q1 was 13.2%, with a gain of 30 basis points year-on-year. Our export volume for the quarter was 2,461 units, lower by 18% year-on-year. The war situation posed major logistical challenges at our RAK-based plant in the UAE, impacting our GCC volumes. SAARC and Africa

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Ashok Leyland

14 August 2026

volumes, however, grew substantially, negating the impact to some extent. With the improving situation, we are confident of reviving the GCC volumes and making up for the losses during the remainder of the year. Our foray into ASEAN, establishing it as our fourth home market outside India, is progressing quite well.

Our overall CV volume of 48,673 units is a new peak for Q1. This includes defense vehicles. Our non-CV businesses maintained their growth streak and remained untouched by the recent global headwinds. Domestic aftermarket revenue for the quarter was up 12.7% year-on-year.

Operator: Ladies and gentlemen, the management lines have dropped. Please wait while we reconnect. Ladies and gentlemen, we have reconnected with management's lines. Please continue.

Shenu Agarwal – MD & CEO: Yes, thank you. I will start from where I left off. Overall CV volume of 48,673 units is a new peak for Q1. This includes defense vehicles. Our non-CV businesses maintained their growth streak and remained untouched by the recent global headwinds. Domestic aftermarket revenue for the quarter was up 12.7% year-on-year. Revenue from the power solutions business was higher by 51% year-on-year. Revenue from the defense business was higher by 64% year-on-year. The defense order book and tender win pipeline remain very strong.

Coming to financial performance, Ashok Leyland achieved record Q1 revenue of Rs 9,634 crore, higher by 10% year-on-year. Despite record revenues, EBITDA was flat at Rs 970 crore compared with the same quarter last year. EBITDA margin was 10.1%, lower by 100 basis points year-on-year. We witnessed rising material costs owing to supply chain disruptions and commodity pressures. The company took several initiatives to address the situation, including better price realization, rigorous cost-saving efforts, product and business mix improvement, and opportunity-based inventory build-up. These initiatives helped us mitigate any significant gross margin contraction.

As a percentage of revenue, material cost stood at 71.5% for the quarter, higher by 90 basis points year-on-year, but in line with Q4. PBT for the quarter was Rs 830 crore, higher by 4% year-on-year. Profit after tax was Rs 609 crore, higher by 3% year-on-year. Capex for the quarter was Rs 153 crores. New products, including future technology development, alternate powertrain technologies, and EVs, remain the focus areas for the new capex. Investment in subsidiaries in Q1 was Rs 10 crores.

Our cash position net of debt has strengthened on a year-on-year basis. We had net cash of Rs 2,252 crore at the end of the quarter, an increase of more than Rs 1,431 crore on a year-on-year basis. While in the short run we are taking aggressive measures to mitigate the impact of rising material costs, our long-term focus remains intact. We are resolutely pursuing the path of premiumization, working diligently to delight our customers with superior products and services, and maintaining operational discipline.

In terms of new products, the highlight of the quarter was the introduction of new air suspension technology in multi-axle trucks, which is an industry first and provides our customers with industry-best payload and TCO. This adds to our long list of innovations that have defined the Ashok Leyland brand and its DNA for the last 78 years. We are also seeing a very strong customer reception for our other recently launched range of trucks, the Hippo tractors and the Taurus tippers, with industry-best power and torque. Our new product pipeline remains strong, with many more

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Ashok Leyland

14 August 2026

launches slated for the rest of the year.

Creating a new industry benchmark in service delivery remains our key focus. Our flagship program, Dhruv, is continuing to make progress, with all our service processes now becoming automated and intelligent through the deployment of AI and other digital tools. We continued to add more touchpoints. During the quarter, we added 33 touchpoints in our MHCV and LCV businesses. The focus of new additions continues to be the North and East regions, where we have greater headroom. At the end of the quarter, the Ashok Leyland network had a total of 2,137 touchpoints, including 1,177 for MHCV and 960 for LCV.

Our EV subsidiary, Switch Mobility India, recently secured an order for 650 electric buses. With this, Switch Mobility has a healthy order book of 2,100 e-buses. During the quarter, Switch Mobility delivered 225 electric buses and close to 300 electric light commercial vehicles. OHM Mobility, our e-MaaS subsidiary, increased its operational fleet to more than 1,900 e-buses, with more than 500 units added during the quarter. OHM is progressing well toward its PAT break-even target, which we hope to achieve in the near future.

Hinduja Leyland Finance, our vehicle financing subsidiary, delivered robust growth in the quarter, with its AUM expanding by 20% year-on-year to Rs 60,310 crores. Pre-provisioning operating profit increased by 56% to Rs 587 crore from Rs 376 crores in June 25, while PAT grew by 37% to Rs 123 crore from Rs 89 crore last year. Hinduja Housing Finance similarly saw its AUM grow by 13% year-on-year to Rs 16,157 crores. It reported total gross income of Rs 470 crore, pre-provisioning operating profit of Rs 136 crore, and PAT of Rs 69 crore. PAT was at the same level as last year. Both HLF and HHF maintained healthy asset quality, with consolidated net NPAs at 2.1% on a book basis. Delivering solid profitability alongside prudent risk management augurs well for the future growth of both financial companies.

The reverse merger of HLF with NDL Ventures is progressing as planned. NDL Ventures Limited and Hinduja Leyland Finance Limited have received the requisite approvals from their equity shareholders and unsecured creditors. The entities will now approach the NCLT for the requisite approvals and, upon receipt, will proceed with the merger and listing process.

ESG commitments remain close to our heart. Our Road to School and Road to Livelihood programs continue to grow, extending their reach to about 6.4 lakh students now. As part of our commitment toward RE100, we achieved 77% RE status, with the Tamil Nadu plants now at 91%. In summary, Q1 performance corroborates our commitment to sustainable and profitable growth. Thank you.

Management: Our business and financial results clearly demonstrate that our processes and management systems are robust and resilient enough to absorb external shocks, enabling us to maintain focus on future value creation. In the recently concluded Monetary Policy Committee meeting, the RBI, while maintaining a neutral stance and retaining key interest rates, revised its GDP growth outlook for the year to 6.7%. This indicates that macroeconomic conditions are becoming favorable. Looking forward, we believe that the overall demand drivers for commercial vehicles remain positive. We remain mindful of the key risks, particularly elevated commodity prices, but will continue to make every effort to achieve better price realization and mix, higher cost savings, and enhanced operational discipline. Our foundations remain strong. We will keep innovating in line with our customers' needs while maintaining a focus on prudent financial management. We will navigate

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Ashok Leyland

14 August 2026

the road ahead with even greater rigor and heightened focus on creating long-term value for our stakeholders. Thank you once again for your continued trust in Ashok Leyland. Can I now hand it over to the moderator?

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Gunjan Prityani from Bank of America. Please go ahead.

Gunjan Prityani – Bank of America: Thank you for taking my questions. My first question is to get a little more clarity on the margin delivery for this quarter. It was a commendable gross margin delivery. I am trying to understand the gross raw material headwind that we saw in this quarter, how we were able to offset this through price hikes, some detail on the price hikes taken, and perhaps also some sense of how we should think about the next quarter. As you pointed out, there are more elevated cost headwinds. What is the pending raw material impact yet to reflect in Q2?

Management: Thank you for your question, Gunjan. There was an increase in commodity prices during this quarter. However, one positive development in this quarter was that we were able to consume most of the items from our opening inventory. We had maintained considerable inventory, both in terms of production inventory and finished inventory. Therefore, we could use about one-fifth to one-fourth of the total requirements in this quarter from the opening inventory. What this did was prevent us from charging the commodity cost increases that occurred during the quarter. Only four-fifths of the total costs incurred during the quarter went into the P&L. In other words, the value of these increases was added to inventory. When these vehicles from the opening inventory are subsequently sold, we will receive the benefit, and the charge will also flow through as production from the current year is sold in the subsequent quarters. This really helped us reduce the cost. The benefit of this is also reflected in the better gross margin and lower material cost.

In addition to these material cost increases, overheads also have to be added to the inventory for the vehicles that are in stock. We carried about 6,000 vehicles at the opening level, and this 6,000-unit stock at the opening level increased to 8,000 units at the quarter end. This also helped us because many of the overheads incurred during the quarter were added to the increased inventory. We received a good benefit from the capitalization of inventory, which was added to the cost of stock and not to the P&L. These costs will find their way into the P&L as and when the vehicles are sold in the coming months.

Management: Gunjan, just to add to that, the first factor was the inventory impact, and the other factor was that we accelerated some of the cost savings. We started a project a couple of quarters ago, which we internally call Achieve 2K. That project is now delivering some benefits, but it will deliver many more significant benefits in the upcoming quarters. We also focused on improving the mix, both from the product side and from the business side. We also took some pricing actions. As a result, we were able to negate most of the impact coming from the commodity side.

In addition to that, Gunjan, we also took a price increase. The price increase during the quarter was about 1.2-1.25%. That also helped us negate the commodity cost increases. In a way, I can say that

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Ashok Leyland

14 August 2026

the commodity cost increase was negated 50% through price increases and another 50% through the benefit from cost savings and the inventory impact.

Gunjan Prityani – Bank of America: How should we think about the next quarter, then? Since we were able to hold inventory at a lower cost, does it mean that we will see a sharper impact in Q2? This is useful information, but I am trying to understand how Q2 looks in the context of incremental costs yet to hit the P&L and whether pricing actions and cost reductions should enable us to neutralize the impact heading into Q2.

Operator: Ladies and gentlemen, the management line has been disconnected. Please wait while we reconnect.

Operator: Ladies and gentlemen, we have the management line back with us. Please continue with your question.

Management: I was answering Gunjan's question. Gunjan was asking whether the impact would be felt in the subsequent quarters. The impact will be there in the subsequent quarters, but it will not be felt in a significant way. It depends on the quantum of vehicles being sold, and it will not be very significant.

Management: To add to that, the challenges on the commodity price side are continuing. We believe that relief from this will come only in Q3 and Q4. Therefore, it will be a challenging quarter, but we are accelerating a few things internally and looking again at the levers I just described: product mix, business mix, and pricing. We have taken another price increase from July 1 and are considering taking some more before the quarter is over. We are also looking at accelerating some cost savings.

At this time, I cannot tell you exactly what the gross margin situation will be, but keep two things in mind. First, commodity costs will continue to pose a challenge, which means that the impact purely from the commodity side may be slightly higher than what we faced in Q1. This situation, according to our current estimate, will improve from Q3 and largely from Q4. There should be some turnaround in the situation starting in Q3.

How much we can manage this depends basically on two or three factors. First, our focus has now shifted toward more profitable segments, such as higher-horsepower segments. In my note, I described how the Taurus and Hippo that we launched are gaining a lot of momentum. These are high-horsepower heavy-duty trucks where the margin equation is better. We have also just launched these air suspension trucks. We lost some margin and market share in Q1 on the multi-axle trucks, but with the air suspension trucks, we hope to more than recover that.

We are also trying to determine how many orders from the Defense business, PSB, and other businesses we can execute. As I said, we have already taken a small price increase from July 1, and we are looking or trying to get one more before the end of the quarter. At this time, I cannot tell you exactly what the gross margin situation will be.

Gunjan Prityani – Bank of America: My second question is on investments. The Switch aspect is relatively clear, with debt repayment—the Optare aspect, sorry. What about the Housing Finance

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Ashok Leyland

14 August 2026

investment? It would be good to hear your rationale because I thought we were demerging the finance entity, and it was to be on its own in terms of funding its growth. Could you give us some sense of how to think about this incremental investment in Housing Finance?

Management: I would like to clarify the Optare position to everybody on this call. As you rightly said, I have indicated this in practically every call. In the FY25 Q4 call, I indicated that we had debt of about 80 million. We paid about 20–30 million last year, and we now have about 50 million of debt outstanding. We do not want to incur interest costs unnecessarily, so we are now trying to pay another 25 million by this year, and we will pay another 25 million by next year. That is the plan. I want everybody to have clarity on this. This is not something new. I have spoken about this over the last 2 years and have been progressively repaying this loan. This is nothing new and is not a surprise at all.

The second aspect is HHF. The HLF investment is growth capital that we are providing. The merger is in progress as far as HLF is concerned, and HLF's capital structure cannot be disturbed at this point in time. We thought that the growth of HHF would be quite good, and the AUM of this housing finance business has grown at about a 34% CAGR over the last 4 years. The growth trajectory has been quite good, and net worth growth is about 24%. Therefore, we thought we would invest. The valuation will also be at arm's length and will be determined by an independent valuer. We thought we would invest some money in the housing finance business because we also cannot disturb the capital structure through an investment, since the approval from the NCLT is now at a very advanced stage.

Gunjan Prityani – Bank of America: That is clear. I will join the queue again. Thank you.

Operator: Thank you. The next question is from the line of Vinay Singh from Morgan Stanley. Please go ahead.

Vinay Singh – Morgan Stanley: Hi, team. Thank you for the opportunity. Continuing the earlier question, I wanted to ask about your comment on future gross margins. Did you say Q2 is challenging? I could not fully capture what you were trying to convey. Is the incremental gross margin hit manageable, or will it come in the second half? I just want to be clear on that.

Management: Vinay, thank you for your question. Are you asking about the inventory aspect, or do you want to understand the overall margin outlook for Q2?

Vinay Singh – Morgan Stanley: I am asking about the overall gross margin outlook. Given the commodity pressure that we see today, do you think you will be able to sustain this margin level?

Management: There are a few things we have to keep in mind while looking at Q2 gross margin. One thing I clearly said is that commodity pricing will continue to pose a challenge, which means that the impact purely from the commodity side may be slightly higher than what we faced in Q1. Our current estimate is that this situation will improve from Q3 and largely from Q4. There should be some turnaround in the situation starting in Q3.

How much we can manage this depends basically on two or three factors. First, our focus has shifted toward more profitable segments, such as higher-horsepower segments. In my note, I

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Ashok Leyland

14 August 2026

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We are also trying to determine how many orders from the Power Solutions Business, Defense business, and other businesses we can execute. As I said, we have already taken a small price increase from July 1, and we are looking or trying to get one more before the end of the quarter. At this time, I cannot tell you exactly what the gross margin situation will be, but keep in mind that commodity costs will continue to pose a challenge.

Vinay Singh – Morgan Stanley: Thanks, that is helpful. My second question is on the truck mix. We have discussed this earlier as well: ICV growth has been higher than heavy-truck growth, and we were expecting some reversal in trends. How do you see the truck mix playing out for the rest of the year?

Management: So far, ICV growth has been higher because, as we explained in previous calls, after the GST recalibration, the maximum or earliest impact was expected to be on vehicles that are mostly sold to non-fleet customers in the retail market, because those buyers would see the impact immediately in terms of pricing. For other buyers, such as fleet owners or users of heavy-duty trucks, this would happen with a delay. Every quarter, we are now seeing the situation improve. I think the situation should improve substantially in Q2, both at the industry level and even more at Ashok Leyland's level, since we have fully ramped up the Hippo and Taurus and now also have air suspension on the M&HCV side. Therefore, you should see improvement at the industry level, but we should be able to improve even more.

Vinay Singh – Morgan Stanley: Thank you. Lastly, could you comment on the domestic truck growth that you expect this year?

Management: Domestic truck growth?

Vinay Singh – Morgan Stanley: Yes, the volume growth outlook, the volume outlook.

Management: Q1 went quite well, despite a weak May. May growth was only 1-2% in M&HCV, but June then bounced back very sharply. As I said in my note, we have never seen this happen in the CV industry because whenever an external factor affects sentiment, it usually takes a long time for the industry to recover. In this case, as soon as the situation stabilized toward the end of May, we saw significant momentum return in June. June industry growth was more than 20%. That momentum continued in July because July M&HCV industry growth was also more than 20%, and sentiment in August is also looking quite positive. Therefore, against 13-14% growth in Q1, growth should be much better in Q2.

Vinay Singh – Morgan Stanley: Great. Thank you for that detailed response.

Operator: Thank you. The next question is from the line of Pramod Kumar from UBS. Please go ahead.

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Ashok Leyland

14 August 2026

Pramod Kumar – UBS: Thank you for the opportunity, sir. My first question is a clarification on the commodity outlook you provided, that you see some softening from Q3. I want to understand what is driving that visibility. Generally, our understanding is that steel prices are elevated and natural rubber is hitting new highs, which are the two biggest cost items. What visibility do you have, and what inputs are driving that assessment?

Management: Pramod, we rely on many factors. We talk to suppliers and review various credible reports, including the SIAM report, the CRISIL report, and other reports. Based on that, our current estimate is that Q2 will be the peak, but there should be some softening in Q3. Of course, you are right about natural rubber and related commodities. However, overall, I am saying that there should be some level of softening in Q3, and in Q4 we should see some kind of turnaround. This assessment is based on several factors. We can perhaps discuss these in detail separately at a later stage.

Pramod Kumar – UBS: The next question is on price hikes. Can you quantify the price hike that you have taken so far in this quarter?

Management: In July, on the M&HCV side, we took a price increase of more than 1%. On the LCV side, we took a price increase of more than 2% in July. As I said, we are trying to determine whether, through price increases or discount optimization, we can improve price realization beyond this.

Pramod Kumar – UBS: Okay. Finally, on the other costs—yes, Balaji, please go ahead.

Balaji: Cumulatively, we would have taken about {? 2–2.25% ?} price increase for M&HCV and more than 3.5% for light commercial vehicles from the beginning of this financial year.

Pramod Kumar – UBS: That is helpful. On the other cost elements, Balaji, how should we see the trend going forward for employee costs and other expenditure? This will be the additional aspect we need to watch when discussing margins. Also, as a follow-up for Shenu, given the current momentum in the first 4–5 months, would you say that the industry is on track to achieve double-digit growth for the full year?

Balaji: On the cost side, you will see a marginal increase in manpower costs because our increment cycle starts in July of every year and every financial year. Therefore, you will see a marginal 4–5% increase in manpower costs over the previous quarter. As far as the remaining costs are concerned, we would like to contain them and operate at current levels, or perhaps target operating at lower levels, because we have started many internal programs to monitor costs, especially administration overheads.

We have created a centralized team to monitor costs, conduct commercial negotiations, and bring costs down. Administration overhead costs were previously decentralized and decided at various locations across the country. Now, any amount above 50 lakhs is referred to a centralized cell, which monitors it and reduces the cost through commercial negotiations. Therefore, you will see and can expect tighter control over costs in the coming quarters as well.

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Ashok Leyland

14 August 2026

Management: Pramod, on the industry outlook, we have good visibility. I think we are very confident that the industry will continue its current momentum until around September or October. Beyond that, there is a high base from last year that we will face because the industry started growing by about 20–21% from October–November last year. Therefore, I want to be slightly conservative when estimating industry momentum beyond October. Overall, however, I would say—

Operator: Ladies and gentlemen, the management line has dropped again. Please wait while we reconnect.

Operator: We have management back online with us. Please continue with your question.

Management: Sorry for this interruption happening repeatedly because of a technical issue. Pramod, what I was saying about the industry is that even if we take a conservative outlook for the second half of the year, from October–November onward, we still believe that the industry has the potential to grow by a high single-digit rate. This is for M&HCV, and the LCV outlook is actually slightly better than this. That is our current estimate.

Pramod Kumar – UBS: Best of luck, sir. Thank you.

Operator: Thank you. The next question is from the line of Amit Hiranandani from PhillipCapital. Please go ahead.

Amit Hiranandani – PhillipCapital: Thank you for the opportunity. The LCV market share over the last 5–6 years has been broadly stable and hovering around 11%. We understand that competitive intensity is quite high. Could you please highlight the company's plans and the steps it is taking to improve its share?

Management: There are two things I want to say, Amit. Firstly, historically, since we launched LCV products about 10–13 years ago, we had only discussed our market share in the 2–3.5-ton segment because that was where we had products. We changed this view about a year ago when we introduced a product called Sathi, which is actually in the 2–3.5-ton segment but targets the premium end of the sub-2-ton customer segment. We said that we should not look only at the 2–3.5-ton segment, but at the entire LCV market. That is how we shifted to Vahan market share.

If you look at Vahan market share, as I recall, we gained continuously quarter-on-quarter in each quarter of last year and also in Q1. The entire outlook for LCV has now changed within Ashok Leyland. We do not want to restrict our thinking to the 2–3.5-ton segment. We want to introduce products across the LCV range because we know that we are participating in only 50% of the industry, and there is significant headroom if we introduce additional products.

There are some products in the pipeline that I cannot reveal right now because of confidentiality reasons. However, there is a product pipeline, and the overall approach at Ashok Leyland toward the LCV market is now to determine what we can do across the entire market rather than restricting ourselves to half of the market.

Amit Hiranandani – PhillipCapital: Secondly, on the buses side, we have been observing some decline—

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Ashok Leyland

14 August 2026

Operator: Sorry to interrupt, Mr. Amit. Could you please get back in the queue for any follow-up questions?

Amit Hiranandani – PhillipCapital: Sure.

Operator: Thank you. In order for management to address questions from all participants in the conference, please limit your questions to one per participant. I repeat, please limit your questions to one per participant. The next question is from the line of Raghunandan NL from Nuvama Asset Management. Please go ahead.

Raghunandan NL – Nuvama Asset Management: Good evening, Shenu sir and Balaji sir. There has been very strong growth since June. The recovery continued into July and, as you said, into August. What are the drivers here? Is it better freight availability, infrastructure spending, replacement demand, or something else? How is the demand from large, medium, and small operators?

Management: Raghunandan, thank you for that question. You are right; we were ourselves somewhat surprised by such a significant turnaround from May to June. April saw roughly 12–13% industry growth in M&HCVs, May saw 1–2%, and June saw about 20%. The growth then continued in July, and I hope it will continue in August as well.

The triggers or drivers are now very clear. We have always said that the CV industry is sitting on significant potential, largely because of the replacement demand that can be generated, fleet aging, and all the other factors we have discussed. The industry was waiting for a trigger, which came with GST 2.0 or GST optimization. Since then, we have seen very high growth numbers, which clearly indicates that the TCO, or the economics of buying a BS-6 truck versus operating a BS-3 or BS-4 truck, has become much stronger.

That trigger was needed, and it has occurred. Therefore, this should continue for many more quarters because it will take a few years to bring down, or to take out of the equation, all the BS-2, BS-3, and BS-4 trucks. That is the primary reason for this significant growth. However, other factors are also helping, including interest rates, availability of finance, the uptick in the infrastructure segment, and other factors. Everything is contributing to this.

Raghunandan NL – Nuvama Asset Management: Thank you for highlighting that. On the replacement demand side, I would like to understand this in more detail. Fleet age being high at 10 years is one of the drivers of replacement demand. What should be the ideal average fleet age based on—

Operator: Sorry to interrupt. Could you please get back in the queue for any follow-up questions?

Raghunandan NL – Nuvama Asset Management: Sure. Thank you, sir, and wishing you all the best.

Operator: Thank you. As a reminder to all participants, please limit your questions to one per participant. Thank you. The next question is from the line of Harshit Mittal from JP Morgan. Please go ahead.

Harshit Mittal – JP Morgan: [inaudible]

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Ashok Leyland

14 August 2026

Operator: Mr. Harshat, you have been unmuted. Please go ahead. [pause] We will move on to the next participant. The next question is from the line of Kapil Singh from Nomura Wealth Management. Please go ahead.

Kapil Singh – Nomura Wealth Management: Good evening, sir. This is Kapil from Nomura. Could you discuss the export outlook and also share the capex and investment outlook for the full year FY27?

Management: Kapil, thank you for those questions. On exports, as I described in my opening statement, we had a difficult Q1, but we believe that it is already behind us. We have a facility in RAK, Ras Al Khaimah, in the UAE, where we assemble all our products for the GCC market. We had to almost stop operations at that facility in April and part of May. We faced both labor-related and material-related problems, particularly with local components that we procured from surrounding countries.

We therefore had to largely shut down operations. Since then, the situation has stabilized. Last month, the factory produced 600 units, this month we expect to produce 700 units, and next month we expect to reach our peak production of 800 units. The factory has a capacity of only 600 units, but we were operating it at 800 units through some temporary arrangements. We are hoping to restore production to 800 units.

Fortunately, we have not lost any retail business in the GCC segment. It is essentially a reduction in wholesale volumes and a reduction in stocks at every point, which is reflected in the decline in our Q1 exports.

Fortunately, we were able to increase our volumes in the SAARC and Africa regions. If you look at our growth rates in those regions, they are quite high, in the range of 40–60% year-on-year. As I said, the GCC appears to be a market where we can recover the wholesale losses because there have not been any significant losses on the retail side. As soon as the plant is operational and ramping up, we will start replenishing dealer stocks with those units.

We are also expediting our new plant in Saudi Arabia. Originally, the plan was to have it up and running in about 18–24 months, but we are trying to determine how much we can accelerate it because demand momentum in the GCC remains very strong despite all the volatility we have seen.

The other question was on capex and investments. We have increased our capex investment outlay over the last couple of years. We were generally investing about 400–500 crores, whereas in the last 2 years we have been in the range of 900–1,000 crores. As the company has more cash available to invest in its future growth, we will look at various new technologies, new products, and white spaces where we are not currently present.

From a capex point of view, this is a good time for us because if we can develop differentiated products and address white spaces that we want to cover in the future, it will help us establish a strong growth path for the company over the next 5 years or so. Capex will therefore continue to increase over the next 2–3 years. We can provide more specific numbers once we have the entire plan ready. Moderator?

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Ashok Leyland

14 August 2026

Operator: Thank you. The next question is from the line of Chandramouli Muthiah from Goldman Sachs India. Please go ahead.

Chandramouli Muthiah – Goldman Sachs India: Good evening, and thank you for taking my questions. My question is on the regulatory outlook for the CV industry over the next 1–2 years. It appears that from next year onward there may be mandatory mechanized load covers, audio–visual alerts, and advanced braking norms. I want to understand what the potential price increase might be if all these requirements were to come through. Also, related to that, could you provide some detail on how negotiations are progressing between the government and the industry body regarding a possible BS7 at some point over the next 2–3 years?

Management: Chandramouli, thank you for that question. You know that the regulatory burden on the CV industry has been very high compared with other auto industries. However, we are very used to this, and the objective is to determine how we can comply with the regulations while also creating value for the customer. That is the overall challenge.

There may be a slight lag, but I think most companies, including our peers, will try to create that value for the customer. This means that there has to be a positive TCO impact even if prices increase. Indian CV consumers, especially fleet owners, have also changed considerably over the last 5 years or so. They are increasingly looking at value rather than only price because if they receive a TCO benefit even by paying somewhat more, we see that they adopt the product.

We saw this recently when AC was mandated. Everyone in the industry had a different view, but as soon as AC was mandated, customers adopted it. I mentioned in the last call that we had built up inventory of non-AC trucks because we thought many customers would ask for them, as they did not want AC and the associated price increase of Rs 30,000–50,000. To our surprise, we later had significant difficulty liquidating that non-AC stock.

The market is changing. The challenge, of course, remains the cost increases related to regulations, but the objective is to make them relevant for the customer by creating a positive impact on TCO. We are working on these issues.

Regarding BS-VI, the final notification has not yet been issued and will take some more time, but discussions are ongoing. My personal opinion is that we should not see BS7 in India for CVs before 2031, and it could also be 2032.

Chandramouli Muthiah – Goldman Sachs India: That is helpful. Thank you very much, and all the best.

Operator: Thank you. The next question is from the line of Yash Agarwal from Nirmal Bang Securities. Please go ahead.

Yash Agarwal – Nirmal Bang Securities: Thank you for the opportunity. We have made significant progress in diversifying beyond our core truck business through defense, power solutions, aftermarket, and EVs. I wanted to understand how we see this mix evolving over the next 3–5 years and how the margin profile of these businesses compares with the truck business.

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14 August 2026

Operator: Ladies and gentlemen, sorry to interrupt. The management line has dropped again. Please wait while we reconnect. Ladies and gentlemen, we have management back with us. Please continue with your question.

Yash Agarwal – Nirmal Bang Securities: Thank you for the opportunity. I wanted to get an update on how Ashok Leyland has made significant progress in diversifying beyond its core truck business through defense, power solutions, aftermarket, and EVs. Where do you see this mix evolving over the next 3–5 years, and how is the margin profile of these businesses compared with the truck business?

Management: This is a very good question because it is one of our key focus areas and strategies at Ashok Leyland: how we can enhance our other businesses without losing focus on our core business. These businesses offer better margin opportunities and also have significant headroom. For example, there is a lot that we can do in defense.

A plan has been developed for each of these businesses, including aftermarket, EVs, IO, defense, and power solutions. These plans are very aggressive. However, the first milestone we want to achieve is to ensure that we have sufficient non-MHCV domestic business to cover the company's complete fixed costs.

We have made significant progress in this area. If you look at 3–4 years ago, we had to sell about 6,000–7,000 MHCV trucks per month in the domestic market to cover the company's fixed costs. We have now reduced fixed costs as a percentage, but we have also grown the non-MHCV domestic business. As a result, the break-even point, measured by the number of MHCV trucks we need to sell domestically to cover the fixed costs, has come down to approximately 1,000–1,500 units.

We have made a lot of progress through this diversification. Importantly, this milestone matters because some of us believe that the domestic MHCV industry is cyclical in nature, and therefore we want to reduce our dependence on it. Even if the industry declines, we will not be affected as a company to the same extent, and we can continue pursuing our long-term value creation. This is the first milestone, but of course we want to do much more in the non-MHCV businesses.

Management: What {? Shenu ?} indicated—1,000 to 1,500 units—is on a per-month basis.

Management: Okay.

Yash Agarwal – Nirmal Bang Securities: One thing you mentioned at the beginning of the call was that you added 33 touchpoints during Q1. In previous calls, you mentioned focusing on increasing touchpoints in the non-southern regions. How has our share evolved in the non-southern regions compared with the southern region over the last few years?

Management: We have made very good progress. I would say that we have made good progress in some zones, such as the North. If you look at our market share in the North, I do not remember the exact period, but probably 4 or 5 years ago we were at around 15%. These are only approximate numbers. Now we should be touching 30% at any time. We are already at around 27% in the North.

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Ashok Leyland

14 August 2026

Similarly, we have made progress in the Central region. We had made considerable progress in the East, but then some new issues emerged. We need to do a little more work in the East going forward. However, the formula for the North, Central, and East regions is now quite clear in our minds.

Yash Agarwal – Nirmal Bang Securities: Thank you, sir. I will get back in the queue.

Management: Thank you.

Operator: Thank you. The next question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf – Avendus Spark: Good evening, and thank you for the opportunity. My question is on the competitive intensity in the M&HCV segment. We have noticed competitors launching certain products with higher payload, followed by Ashok Leyland launching products with air suspension, which enhances payload even further. Is there heightened competitive intensity currently in the M&HCV segment? Is this a precursor to some discounting, or do you think this is simply a regular product upgrade?

Management: Thank you, Mukesh. This is a very good question because it is in line with our digitalization strategy. Looking at what was launched in the market 3 or 4 months ago, I can tell you confidently that we had evaluated this type of product about 3 years ago and decided not to launch it because it had certain issues with the way it was designed or would have had to be designed.

When we rejected that idea, we said that we needed to find a better engineering solution to provide the same or an even better offering to the customer, designed in the proper way. That is when we started the air suspension project.

This is not a quick response from our side. The project was started about 2.5–3 years ago, and fortunately, when the competing product was launched, we were quite ready with our new product. You can see the difference. If you understand what was launched and what we have launched, there is a significantly better-engineered solution. The payload is also twice as high: we are offering an additional 4-ton payload compared with 2 tons.

This is what we want to do at our company. We want to provide the right solution, not a shortcut solution, but the right solution to the customer that truly improves customer TCO. Air suspension is an excellent example of that. It is not that other companies cannot develop air suspension. I think someone else will also bring it in 6 or 12 months. However, the fact is that this is the first time it has been introduced in India, customers are embracing this option, and if we continue to keep our innovation pipeline robust, then we might be [inaudible].

Management: We will come up with some more innovations in the next few quarters.

Mukesh Saraf – Avendus Spark: Understood. Thank you again for that.

Operator: Thank you. The next question is from the line of Himanshu Singh from Baroda BNP Paribas Mutual Funds. Please go ahead.

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Ashok Leyland

14 August 2026

Himanshu Singh – Baroda BNP Paribas Mutual Fund: Thank you for the opportunity. I wanted to understand whether there were any production issues on the bus side and whether they have been resolved.

Management: No, there was no issue on the production side. If you look at the bus market, I am simplifying it for the moment. The bus market has two parts. One is the larger, or heavy-duty, bus segment, which represents one-third of the market. Then there are medium-size buses, which represent two-thirds of the market. Historically, in heavy-duty buses, we have always had a market share of 60-80%. However, in smaller buses, our market share was only around 15% until a few years ago.

There were two things we were clear about. We wanted to increase our market share in the two-thirds of the bus industry represented by medium-size vehicles, which are used for schools and staff transportation. We also wanted to ensure that we did not lose money on the heavy-duty side because heavy-duty business is also tender-based.

We are now very clear about how we want to approach the bus business. On the heavy-duty side, if there is an unprofitable tender, we will not take it, even if we temporarily lose some market share. However, in the two-thirds of the industry that is private, not tender-based, and mostly consists of school and staff transportation, we are focusing on many new products and improvements. I am very happy to say that our market share over the last 3-4 years has increased from 15% to close to 25% in the medium-size bus segment.

Directionally, we are on the right track. However, in Q1 we had to face a loss of market share because we decided not to participate in some unprofitable tenders on the heavy-duty bus side.

Himanshu Singh – Baroda BNP Paribas Mutual Fund: Thank you very much.

Operator: Thank you. That was the last question for today. I now hand over to management for the closing remarks. Over to you.

Management: I would like to thank everyone who participated in today's call. As I said, we currently have a dichotomy of circumstances. On the top-line and industry side, we know that the industry's momentum is very strong, and we would like to capture as much of that momentum as possible for Ashok Leyland.

On the other side, we are facing a situation of high raw material and commodity prices, which I believe is temporary and should subside over the next few quarters. In the meantime, we will maintain our long-term focus and will not allow it to be diluted because of commodity pressures. At the same time, we will maintain heightened operational discipline, whether in terms of costs, savings, mix improvement, pricing, or other areas. We hope to see you again at the end of Q2. Thank you.

Operator: Thank you. On behalf of IIFL Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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14 August 2026

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