

September 12, 2025

Ashok Leyland Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial Paper	2,000.00	2,000.00	[ICRA]A1+; reaffirmed
Non-Convertible Debenture	200.00	200.00	[ICRA]AA+ (Stable); reaffirmed
Long term/ Short term: Fund based limits	2,000.00	2,000.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed
Long term/ Short term: Non-fund based limits	1,200.00	1,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed
Long-term – Fund based - Term loans	1,457.50	982.50	[ICRA]AA+ (Stable); reaffirmed
Long term/ Short term: Unallocated	650.00	750.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed
Total	7,507.50	7,432.50	

*Instrument details are provided in Annexure I

Rationale

The ratings action on the non-convertible debentures (NCD), bank facilities and commercial paper (CP) programme of Ashok Leyland Limited (ALL/the company) factors in the company's healthy credit profile, marked by improvement in operating performance, cost structure and debt metrics in recent years, and ICRA's expectation of this to sustain going forward. ALL is the second largest player in the domestic medium and heavy commercial vehicle truck (M&HCV) segment, with an M&HCV trucks market share of 30.7% (excluding defence) in Q1 FY2026. Its light commercial vehicle (LCV) sales also improved in the last few years aided by a confluence of factors, with LCV trucks market share at 12.4% in Q1 FY2026 (vis-à-vis around 9% in FY2019). Supported by stable economic activities, better product realisations and healthy market share, ALL's revenues¹ grew by around 3% YoY in FY2025 and 1% on a YoY basis (standalone) in Q1 FY2026. The cost-optimisation measures undertaken over the last few years, better price realisation, favourable product mix (including healthy growth in non-CV business) and benefits from operating leverage have cumulatively translated into a steady improvement in margins in the last few years. The operating margins were healthy in FY2025 (consolidated ex-NBFC) and Q1 FY2026 (standalone) at 10.8% and 11.1% respectively. The measures undertaken by the company aimed at strengthening its product portfolio including that in the non-CV business, market position and reducing break-even levels, would support the company's earnings going forward.

The company's planned investments towards its electric vehicle (EV) vertical continues, including e-Vehicles Mobility as a Service (e-MaaS), apart from planned annual capex and investments of Rs. 1,000-1,500 crore in the existing businesses. The capex is expected to be funded by a mix of debt and equity. Also, being in its initial years of operation, the cashflow contribution from the EV vertical could remain minimal over the next 1-2 years. While ICRA expects the capital structure to remain comfortable, the impact of the EV business' accruals and debt on margins and coverage metrics of ALL (consolidated excluding non-banking financial company [NBFC] over the medium term remains a monitorable. Also, like other CV players, ALL's earnings are vulnerable to stiff competition and inherent cyclicity in the domestic CV industry, with earnings and return indicators moderating during periods of downturns and improving thereafter as industry volumes revive. Nevertheless, improving presence in the LCV segment and higher revenues from the non-CV businesses like power solutions, aftermarket spares etc, wherein the troughs are flatter, are likely to mitigate the cyclicity risk to an extent.

¹ Consolidated revenues (excluding NBFC subsidiary)

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile supported by its cash accruals, strong liquidity position and established business position, despite investments and ramp up phase of the EV business and modest industry growth expectations for FY2026.

Key rating drivers and their description

Credit strengths

Established market presence in the domestic CV industry – ALL is the second largest player in the domestic M&HCV industry with healthy market share over the past several years (M&HCV trucks market share stood at 30.7% (excluding defence) in Q1 FY2026), aided by its long operational track record, strong brand, and well diversified distribution and service network. Over the last decade, ALL has transformed itself from a South-centric to a pan India player and holds a strong market share in most of the regions that it operates in. Factors like enhanced product range, better product acceptance and revamping of dealership network are expected to support volume growth and market presence going forward. Its LCV sales witnessed marginal decline in FY2025, post two years of healthy volume sales in the market. However, the expected increase in addressable market, demand from agriculture and allied sectors are expected to support volume growth in FY2026. ALL's market share in LCV trucks segments was 12.4% in Q1 FY2026 (vis-à-vis 9% in FY2019). Bus volumes also witnessed healthy traction in the recent quarters with the improving replacement demand for old buses and higher orders from State Road Transport Undertakings (SRTUs) and private players, and the momentum is expected to sustain going forward.

Significant improvement in profit margins in the last few years and expected sustenance of the same going forward - ALL's operating margins have improved over the last few years, aided by cost optimisation measures undertaken by the company, lower discounts prevalent in the industry, favourable product mix and benefits from operating leverage. The company undertook various sustainable measures such as automation, overhead cost reduction measures through price negotiations and efficiency improvement among others. The proportion of revenues from the margin-accretive non-CV and LCV businesses have also improved, which coupled with volume improvement has aided the company in reporting elevated margins of 10.8% in FY2025² and 11.1% in Q1 FY2026 (standalone). While the margins are expected to sustain at the improved levels in the near-term, it remains vulnerable to any sharp volatility in raw material prices and the company's ability to scale up the EV business profitably.

Comfortable capitalisation metrics and strong liquidity - ALL's healthy market share, along with sustained growth in the CV industry over last few years, have supported revenue growth momentum. The healthy accruals and networth contributed to comfortable debt metrics with net gearing of -0.4 times (standalone and consolidated excluding NBFC subsidiary) as on March 31, 2025, despite investments and gestational losses in the EV business. ALL's liquidity position is strong, supported by cash and liquid investments of over Rs. 2,000.0 crore (standalone) and undrawn bank lines of over Rs. 2,000 crore as on June 30, 2025. The capitalisation is expected to remain comfortable going forward as well. This apart, the exceptional financial flexibility with lenders also supports its financial profile.

Credit challenges

Moderate capex expected for EV segment over the medium – The company has moderate investments planned over the medium term for its EV vertical, including e-MaaS, apart from planned annual capex and investments of Rs. 1,000-1,500 crore in the existing businesses. The capex is expected to be funded by a mix of debt and equity. Also, being in its initial years of operation, the cashflow contribution from the EV vertical could remain minimal over the next 1-2 years. While ICRA expects the capital structure to remain comfortable, the impact of the EV business' accruals and debt on the margins and coverage metrics over the medium term remains a key monitorable.

Subdued performance of select investee entities impacting the overall profitability – Over the years, ALL has written off / closed loss-making ventures and remains open to further pruning of investments, if required. While some of these investments

² Consolidated operating margins (excluding NBFC subsidiary)

were aimed at strengthening technological capabilities and achieving business and geographical diversification, the performance of select investee entities remains subdued, dragging down the overall profitability of the company, major one being Optare PLC which reported a consolidated net loss of Rs. 506.9 crore in FY2025 (Rs. 457.0 crore in FY2024). Also, being in its initial years of operation, the cashflow contribution from the EV vertical is likely to be minimal in the next 1-2 years. While ALL's investments towards the investee entities (except the EV business) remained high in the past, it has moderated in the last few years and ICRA expects the same to continue going forward. The company is also taking steps to scale up the EV business profitably. ICRA would continue to monitor the ability of the investee entities to achieve self-sustenance and support the consolidated cash flows going forward.

Vulnerability to inherent cyclicity and competition in the CV industry, although revenues from non-CV business mitigate risk to an extent – Over 90% of ALL's (consolidated excluding NBFC business) revenues were derived from its standalone operations in FY2025. CV sales, which constituted around 85% of ALL's standalone revenues in FY2025, remains inherently cyclical in nature, with industry volumes strongly correlated to the level of economic activity, industrial growth and infrastructure investments. ICRA expects a modest growth of 3-5% for the CV industry in FY2026. Other factors like regulatory changes (emission norms, scrappage policy, etc.) and stiff competition, and sharp fluctuation in raw material prices also impact the earnings profile of industry players. Nevertheless, improving presence in the LCV segment and higher revenues from the non-CV businesses (CAGR of around 12% over the last 6 years), wherein the troughs are flatter, are likely to mitigate the cyclicity risk to an extent.

Environmental and social risks

Environmental considerations - Automotive manufacturers like ALL remain exposed to climate transition risks arising from a likelihood of tightening emission control requirements across its key operating markets, given the increasing focus on reducing the adverse impact of automobile emission. The company's initiatives on increasing its EV penetration is a positive step in this direction. ALL could be required to invest to develop products to cater to the regulatory thresholds or expected transition to other alternative fuel vehicles going forward apart from what is being done already. This could have a moderating impact on return and credit metrics temporarily.

Social considerations - ALL, akin to other automotive OEMs, has a healthy dependence on human capital. Retaining human capital, maintaining healthy employee and supplier relationships remain essential for disruption-free operations. ALL also faces risks of product safety and quality, wherein instances of product recalls may not only lead to financial implications but could also harm the reputation and create a more long-lasting adverse impact on demand. Nevertheless, its history of limited warranty expenses augurs well for the company. Akin to other automotive OEMs, ALL is also exposed to any shift in customer preferences/demographics, which is a key driver for demand, and accordingly may need to make investments to realign its product portfolio. Product innovations, including the AVTR range and phoenix platform vehicles, and healthy market acceptance of the same provide comfort on this front.

Liquidity position: Strong

ALL's liquidity position is strong with cash and liquid investments of over Rs. 2,000.0 crore (standalone) and undrawn bank lines of over Rs. 2,000.0 crore as of June 2025. The healthy improvement in accruals, from volume scale-up, would also support the company's liquidity. As against these sources of cash, the company has debt repayment obligations of Rs. 563.5 crore in FY2026 on existing loans. The company has planned moderate investments over the medium term for its EV vertical, including e-MaaS, apart from planned annual capex and investments of over Rs. 1,000-1,500 crore in the existing businesses. The capex is expected to be funded by a mix of debt and equity. Overall, ICRA expects ALL to be able to meet its medium-term commitments through internal as well as external sources of cash and yet be left with sufficient cash surpluses.

Rating sensitivities

Positive factors – Strengthening of the company’s business and financial profile, through revenue diversification, sustained rise in market share in the CV business, scale-up in EV business, and material improvement in profit margins, RoCE and debt metrics, could be a trigger for improvement in the long-term rating

Negative factors – Downward pressure on the ratings could arise with sustained deterioration in ALL’s financial profile affected by a sharp market slowdown or material contraction in market share, higher-than-estimated debt funded capital expenditure and/or investments in group companies or dividend pay-outs.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Commercial Vehicles
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of ALL.

About the company

Ashok Leyland Limited (ALL / the company), the flagship entity of Hinduja Group, is the second largest manufacturer in the medium and heavy commercial vehicles segment in India. Globally, it is the fourth largest manufacturer of buses, and the 19th largest manufacturer of trucks. ALL’s key products include buses, trucks, defence and special application vehicles like fire-fighters and diesel engines for industrial, genset and marine applications. Headquartered in Chennai, it has nine manufacturing plants as on date. Of these, seven are in India (Ennore, Sriperumbudur, Hosur, Bhandara, Alwar, Pantnagar and Vijayawada), while one facility in overseas in Ras Al Khaimah (the UAE). The company has presence in the EV segment through Switch Mobility Limited. Switch Mobility Limited manufactures EVs, while E-Mobility as a service solution is being catered through Ohm Global Mobility Private Limited in India, a subsidiary of ALL.

Key financial indicators (audited)

	Standalone		Consolidated [#]	
	FY2024	FY2025	FY2024	FY2025
Operating income	38,367.0	38,752.7	45,703.3	48,535.1
PAT	2,617.9	3,303.3	2,680.0	3,351.2
OPBDIT/OI	12.0%	12.7%	17.2%	19.0%
PAT/OI	6.8%	8.5%	5.9%	6.9%
Total outside liabilities/Tangible net worth (times)	1.7	1.2	4.7	4.1
Total debt/OPBDIT (times)	0.5	0.3	5.2	5.4
Interest coverage (times)	18.5	22.7	2.6	2.3

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

[#] Consolidated figures includes Hinduja Leyland Finance Limited (HLFL; NBFC) and hence profit margins and debt metrics in the table above are not comparable with numbers mentioned in the body of the rationale. For analysis purpose, NBFC related figures are excluded although ordinary and extraordinary funding support likely to be extended by ALL to HLFL has been factored

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current ratings (FY2026)				Chronology of rating history for the past 3 years					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Sep 12, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long Tem/ Short Term	2,000.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 13, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	Oct 12, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Oct 31, 2022	[ICRA]AA (Stable)/ [ICRA]A1+
Non Fund Based-Others	Long Tem/ Short Term	1,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 13, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	Oct 12, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Oct 31, 2022	[ICRA]AA (Stable)/ [ICRA]A1+
Unallocated-Unallocated	Long Tem/ Short Term	750.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 13, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	Oct 12, 2023	[ICRA]AA (Stable)/ [ICRA]A1+	Oct 31, 2022	[ICRA]AA (Stable)/ [ICRA]A1+
Fund Based-Term Loan	Long Term	982.50	[ICRA]AA+ (Stable)	Sep 13, 2024	[ICRA]AA+ (Stable)	Oct 12, 2023	[ICRA]AA (Stable)	Oct 31, 2022	[ICRA]AA (Stable)
Commercial Paper	Short Term	2,000.00	[ICRA]A1+	Sep 13, 2024	[ICRA]A1+	Oct 12, 2023	[ICRA]A1+	Oct 31, 2022	[ICRA]A1+
Bonds/NCD/LTD	Long Term	200.00	[ICRA]AA+ (Stable)	Sep 13, 2024	[ICRA]AA+ (Stable)	Oct 12, 2023	[ICRA]AA (Stable)	Oct 31, 2022	[ICRA]AA (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial Paper	Very Simple
Non-Convertible Debenture	Very Simple
Long term/Short term: Fund based limits	Simple
Long term/Short term: Non-fund based limits	Very Simple
Long-term – Fund based - Term loans	Simple
Long term/Short term: Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA*	Commercial Paper	-	-	-	2,000.00	[ICRA]A1+
INE208A07406	Non-convertible Debenture	17-Mar-2022	7.30%	17-Mar-2027	200.00	[ICRA]AA+ (Stable)
NA	Fund based limits	-	-	-	2,000.00	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Term loans	FY2020-FY2022	NA	FY2029	982.50	[ICRA]AA+ (Stable)
NA	Non-fund based limits	-	-	-	1,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+
NA	Unallocated	-	-	-	750.00	[ICRA]AA+ (Stable)/ [ICRA]A1+

Source: Company; * Yet to be Placed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	ALL Ownership	Consolidation Approach
Subsidiaries		
Global TVS Bus Body Builders Limited	66.67%	Full Consolidation
Hinduja Leyland Finance Limited	61.12%	Full Consolidation
Gulf Ashley Motor Limited	93.15%	Full Consolidation
Optare Plc	92.59%	Full Consolidation
Ashok Leyland (Nigeria) Limited	100.00%	Full Consolidation
Ashok Leyland (Chile) SA	100.00%	Full Consolidation
HLF Services Limited	82.05%	Full Consolidation
Albonair (India) Private Limited	100.00%	Full Consolidation
Albonair GmbH, Germany	100.00%	Full Consolidation
Ashok Leyland (UAE) LLC	100.00%	Full Consolidation
Ashley Aviation Limited	100.00%	Full Consolidation
Hinduja Tech Limited	72.99%	Full Consolidation
Vishwa Buses and Coaches Limited	100.00%	Full Consolidation
Gro Digital Platforms Limited	80.56%	Full Consolidation
OHM Global Mobility Private Limited	100.00%	Full Consolidation
Ashok Leyland Foundation	100.00%	Full Consolidation
Joint Ventures		
Ashley Alteams India Limited	50.00%	Equity method
Zebeyond Limited, United Kingdom	36.50%	Equity method
Ashok Leyland John Deere Construction Equipment Company Private Limited	46.90%	Equity method
TVS Trucks and Buses Private Limited	49.90%	Equity method
Associates		

Company Name	ALL Ownership	Consolidation Approach
Ashok Leyland Defence Systems Limited	48.49%	Equity method
Mangalam Retail Services Limited	37.48%	Equity method
Lanka Ashok Leyland PLC	27.85%	Equity method
Rajalakshmi Wind Energy Limited	26.00%	Equity method
Prathama Solar Connect Energy Private Limited	26.00%	Equity method
HR Vaigai Private Limited	26.00%	Equity method

Source: ALL's Annual report FY2025;

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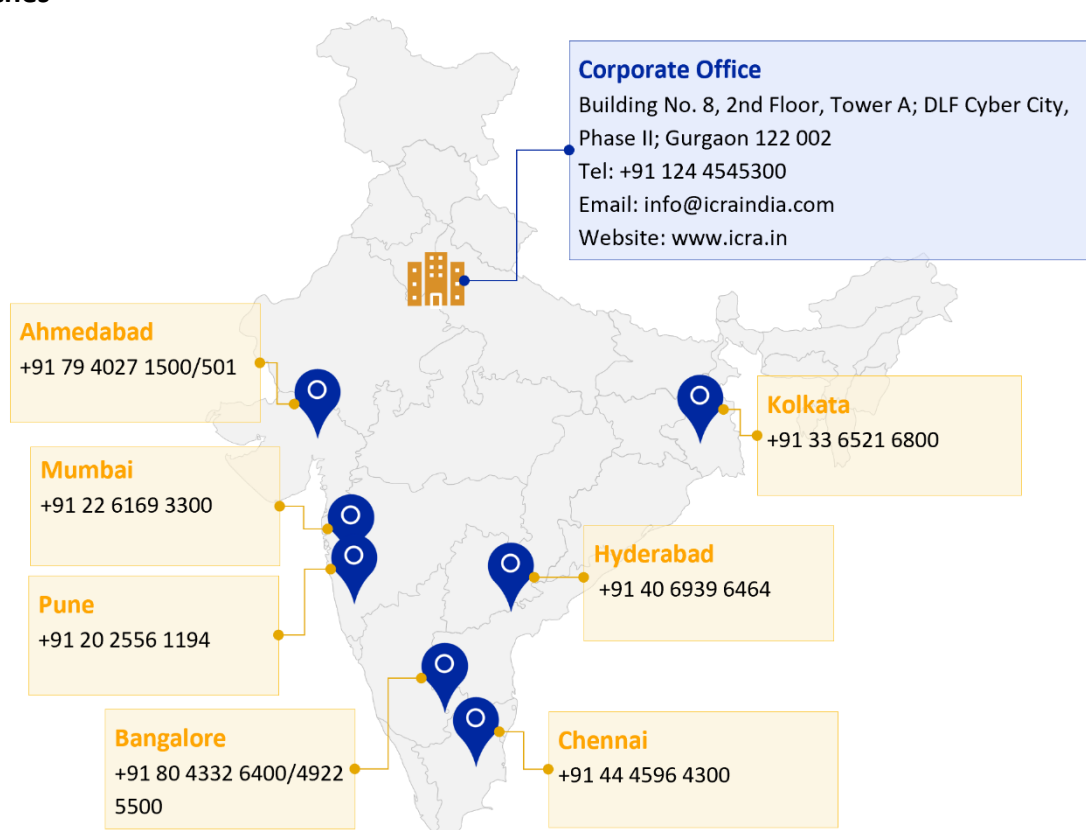
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