October 09, 2026(Revised)

Ashok Leyland Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Commercial paper	2,000.00	2,000.00	[ICRA]A1+; reaffirmed	RBI
Non-convertible debenture	200.00	200.00	[ICRA]AA+ (Stable); reaffirmed	SEBI
Non-convertible debenture	300.00	300.00	[ICRA]AA+ (Stable); Reaffirmed	SEBI
Long term/ Short term: Fund-based limits	2,000.00	2,000.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed	RBI
Long term/ Short term: Non-fund based limits	1,500.00	1,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed	RBI
Long-term – Fund-based - Term loans	729.38	629.38	[ICRA]AA+ (Stable); reaffirmed	RBI
Long term/ Short term: Unallocated	750.00	750.00	[ICRA]AA+ (Stable)/ [ICRA]A1+; reaffirmed	RBI
Total	**7,479.38**	**7,379.38**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The ratings action on the rated instruments of Ashok Leyland Limited (ALL) factors in its healthy credit profile, supported by its steady operating performance, thrust on cost control measures and comfortable debt metrics as well as the expectation of sustained performance going forward. The company is the second-largest player in the domestic medium and heavy commercial vehicle truck (M&HCV) segment, with a market share of around 30% (excluding defence) in FY2026. Its light commercial vehicle (LCV) market share also has improved to 12.6% in FY2026 (vis-à-vis around 9% in FY2019), aided by increased product launches and market penetration. Supported by stable economic activity, better product realisations and robust market share, ALL's revenues[1] grew by around 14.4% YoY in FY2026, while standalone revenues continued to grow at a healthy pace of 10.4% YoY in Q1 FY2027. The cost optimisation measures undertaken over the last few years, better price realisation, favourable product mix (supported by a healthy growth in non-CV businesses) and benefits from operating leverage collectively translate to expansion in margins. The measures undertaken by the company towards strengthening its product portfolio (including non-CV business) and market position as well as optimising costs are expected to support its earnings going forward.

The company has planned moderate investments over the medium term for its electric vehicle (EV) vertical, including electric mobility as a service (e-MaaS), apart from planned annual capital expenditure (capex) of around Rs. 1,600 crore in FY2027 in the existing businesses. These are towards capacity upgradations, de-bottlenecking, product developments and maintenance capex and are likely to be funded by a mix of debt and equity. Also, being in its initial years of operation, the cash flows from the EV vertical are likely to remain limited over the near term. While ICRA expects the capital structure to be comfortable, the impact of the EV business's accruals and debt on margins and coverage metrics of the company [consolidated excluding non-

[1] Consolidated revenues (excluding NBFC subsidiary)

banking financial company (NBFC)] over the medium term remains a monitorable. Also, like other CV players, ALL's earnings are vulnerable to competition and inherent cyclicality 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, defence, aftermarket spares, etc., wherein the troughs are flatter, are likely to mitigate the cyclicality risk to an extent. The impact on the company's earnings due to the ongoing West Asia conflict also remains monitorable. The promoters had pledged around 40% of their shareholding as on June 30, 2026, which continues to be a key monitorable.

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, the ramp-up phase of the EV business and ongoing macroeconomic uncertainties.

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 a healthy market share over the past several years (M&HCV trucks market share stood at around 30% (excluding defence) in FY2026), aided by its long operational track record, strong brand and well-diversified distribution and service network. Over the last decade, the company has transformed itself from a South-centric to a pan-India player and holds a robust market share in most 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 volume witnessed growth in 2026, supported by an increase in the addressable market, demand from agriculture and allied sectors. ALL's market share in LCV trucks segments was 12.6% in FY2026 and 12.5% in Q1 FY2027 (vis-à-vis 9% in FY2019). The company also has a healthy presence in M&HCV bus segment, with a 33.8% market share in FY2026.

Diversification across CV and non-CV business provides stability to revenues – The company has diversified its presence beyond the domestic M&HCV trucks segment, with an increasing proportion of sales from other segments, including LCV trucks, buses, defence, international operations, etc., which imparts stability to revenues and earnings, especially during segmental downcycles. The non-CV business also includes high-margin, accretive segments such as power solutions, ferrous castings and aftermarket sales. The proportion of non-CV revenues has increased to 15% in FY2026 from 10% in FY2019 at the standalone level and has grown at a compound annual growth rate (CAGR) of 12% over the past seven years. The company's growing focus on the EV division and international operations is expected to further reduce dependence on domestic internal combustion engine (ICE) M&HCV trucks segment. The proportion of revenues from non-M&HCV businesses on revenues and earnings is likely to improve further going forward, which supports the overall financial profile.

Comfortable capitalisation metrics and strong liquidity – ALL's robust market share, along with sustained growth in the CV industry over last few years, has supported revenue growth momentum. The healthy accruals and net worth contributed to comfortable debt metrics, with gearing of 0.1 times on a standalone basis and 0.5 times at a consolidated excluding the NBFC level as on March 31, 2026, despite investments and gestational losses in the EV business. ALL's liquidity position is strong, supported by cash and liquid investments of around Rs. 7,000 crore (standalone) and undrawn bank lines of around Rs. 2,000 crore as on June 30, 2026. The exceptional financial flexibility with lenders also supports its financial profile.

Credit challenges

Moderate capex expected for EV segment over the medium term – The company is manufacturing e-buses and e-LCVs under Switch Mobility Automotive Limited (Switch India), which is a step-down subsidiary of Optare PLC, UK. OHM Global Mobility Private Limited (OHM) is undertaking the e-MaaS business and operating the e-buses for its customers. Switch India has delivered 1,530 e-buses in FY2026 and 1,600 e-LCVs in FY2026. OHM is operating around 1,900 e-buses as on June 30, 2026 and has a strong order book position. The e-buses operated by OHM are funded predominantly through longer-tenure debt

and remaining through internal accruals. It is setting up a battery pack assembly plant at Pillaipakkam, Tamil Nadu as part of backward integration, with a total capex outlay of around Rs. 500 crore to be incurred over the medium term. Overall, the company has planned annual capex and investment, including for the EV vertical, of over Rs. 3,500 crore over FY2027-FY2029, which are likely to be funded by a mix of debt and equity. Also, being in its initial years of operation, the cash flow contribution from the EV vertical is likely to remain minimal over the near term. While ICRA expects the capital structure to be comfortable, the impact of the EV business's accruals and debt on the margins and coverage metrics remains monitorable.

Earnings vulnerable to fluctuating raw material prices; price hikes and cost-saving measures mitigate impact – The company's raw material prices are vulnerable to sharp fluctuations and its inability to pass through the same will have an impact on earnings. The cost optimisation measures undertaken over the last few years, better price realisation, favourable product mix, reducing breakeven levels and benefits from operating leverage have cumulatively translated into a steady rise in margins over the last few years. The increase in proportion of revenues from the margin-accretive businesses, coupled with volume improvement has aided the company in reporting elevated margins of 11.2% in FY2026[2] and 10.1% in Q1 FY2027 (standalone). While margins are expected to sustain at the enhanced levels in the near term, they remain vulnerable to any impact on earnings due to inability to passthrough sharp volatility in raw material prices and the company's ability to scale up the EV business profitably.

Vulnerability to inherent cyclicality and competition in CV industry; revenues from non-CV business mitigate risk to an extent – Around 90% of ALL's (consolidated excluding NBFC business) revenues were derived from its standalone operations in FY2026. CV sales, which constituted around 85% of standalone revenues in FY2026, remain inherently cyclical in nature, with industry volumes strongly correlated to the level of economic activity, industrial growth and infrastructure investments. While certain regulatory developments like scrappage policy has supported industry volumes, other regulatory changes like emission norms, tightening safety and comfort requirements, etc. and stiff competition can 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 7 years), wherein the troughs are flatter, are likely to mitigate the cyclicality 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 emissions. The company's initiatives on increasing its EV penetration and developing alternate fuel vehicles are positive steps 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.

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. However, product innovations, including the customisable modular AVTR range and Phoenix platform vehicles, and healthy market acceptance of the same provide comfort on this front.

[2] Consolidated operating margins (excluding NBFC subsidiary)

Liquidity position: Strong

ALL's liquidity position is Strong, with cash and liquid investments of over Rs. 7,000 crore (standalone) and undrawn bank lines of over Rs. 2,000 crore as of June 2026. The healthy improvement in accruals from volume scale-up would also support the company's liquidity. Against these sources of cash, it has debt repayment obligations of Rs. 676.7 crore in FY2027 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 of around Rs. 1,600 crore in FY2027 in the existing businesses. The capex is likely to be funded by a mix of debt and internal accruals. 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 debt metrics on a sustained basis, 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 capex and/or investments in group companies or dividend payouts.

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 flagship entity of Hinduja Group, is the second-largest manufacturer in the M&HCV segment in India. The promoters hold around 51.51% stake in the company as on June 30, 2026. 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 presently has 12 manufacturing plants. Of these, 11 are in India (two in Ennore, three in Hosur and one each in Sriperumbudur, Bhandara, Alwar, Pantnagar, Lucknow and Vijayawada), and one in Ras Al Khaimah (the UAE). The company is present in the EV segment through Switch Mobility Automotive Limited, which manufactures EVs, while e-MaaS is being carried through Ohm Global Mobility Private Limited in India, a subsidiary of ALL.

Key financial indicators (audited)

	Standalone		Consolidated#	
	FY2025	FY2026	FY2025	FY2026
Operating income (OI)	38,752.7	44,007.0	48,535.1	56,362.1
PAT	3,303.3	3,565.5	3,351.2	3,669.4
OPBDIT/OI	12.7%	13.0%	19.0%	19.1%

	Standalone		Consolidated#	
	FY2025	FY2026	FY2025	FY2026
PAT/OI	8.5%	8.1%	6.9%	6.5%
Total outside liabilities/Tangible net worth (times)	1.2	1.2	4.1	4.4
Total debt/OPBDIT (times)	0.3	0.2	5.4	6.0
Interest coverage (times)	22.7	33.8	2.3	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 purposes of this analysis, NBFC-related figures are excluded, although ordinary and extraordinary funding support likely to be extended by ALL to HLFL has been factored in.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	FY2027					Chronology of rating history for the past 3 years					
						FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Current ratings (October 09, 2026)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long term/ Short term	2000.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	Jun 02, 2026	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 12, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 13, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	Oct 12, 2023	[ICRA]AA (Stable)/ [ICRA]A1+
Non-fund based – Others	Long term/ Short term	1,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	Jun 02, 2026	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 12, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 13, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	Oct 12, 2023	[ICRA]AA (Stable)/ [ICRA]A1+
Unallocated	Long term/ Short term	750.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	Jun 02, 2026	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 12, 2025	[ICRA]AA+ (Stable)/ [ICRA]A1+	Sep 13, 2024	[ICRA]AA+ (Stable)/ [ICRA]A1+	Oct 12, 2023	[ICRA]AA (Stable)/ [ICRA]A1+
Fund-based – Term loan	Long term	629.38	[ICRA]AA+ (Stable)	Jun 02, 2026	[ICRA]AA+ (Stable)	Sep 12, 2025	[ICRA]AA+ (Stable)	Sep 13, 2024	[ICRA]AA+ (Stable)	Oct 12, 2023	[ICRA]AA (Stable)
Commercial paper*	Short term	2000.0	[ICRA]A1+	Jun 02, 2026	[ICRA]A1+	Sep 12, 2025	[ICRA]A1+	Sep 13, 2024	[ICRA]A1+	Oct 12, 2023	[ICRA]A1+
NCD	Long term	200.0	[ICRA]AA+ (Stable)	Jun 02, 2026	[ICRA]AA+ (Stable)	Sep 12, 2025	[ICRA]AA+ (Stable)	Sep 13, 2024	[ICRA]AA+ (Stable)	Oct 12, 2023	[ICRA]AA (Stable)
NCD	Long term	300.0	[ICRA]AA+ (Stable)	Jun 02, 2026	[ICRA]AA+ (Stable)						

*Yet to be Placed

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Simple
Non-convertible debenture	Simple
Long term/Short term – Fund-based limits	Simple
Long term/Short term – Non-fund based limits	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	Financial sector regulator#
NA*	**Commercial paper**	-	-	-	2000.00	[ICRA]A1+	RBI
INE208A07406	**Non-convertible debenture**	March 17, 2022	7.30%	March 17, 2027	200.00	[ICRA]AA+ (Stable)	SEBI
INE208A08115	**Non-convertible debenture**	August 10, 2026	7.5%	August 10, 2028	300.00	[ICRA]AA+ (Stable)	SEBI
NA	**Fund-based limits**	-	-	-	2,000.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	RBI
NA	**Term loans**	FY2020-FY2025	NA	FY2027-FY2032	629.38	[ICRA]AA+ (Stable)	RBI
NA	**Non-fund based limits**	-	-	-	1,500.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	RBI
NA	**Unallocated**	-	-	-	750.00	[ICRA]AA+ (Stable)/ [ICRA]A1+	RBI

*Source: Company; * Yet to be placed #SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.*

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	93.28%	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	72.93%	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	28.57%	Equity method
TVS Trucks and Buses Private Limited	49.90%	Equity method
Associates		
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 FY2026

Corrigendum

Included Environmental and social risks section in the rationale document dated October 09, 2026.

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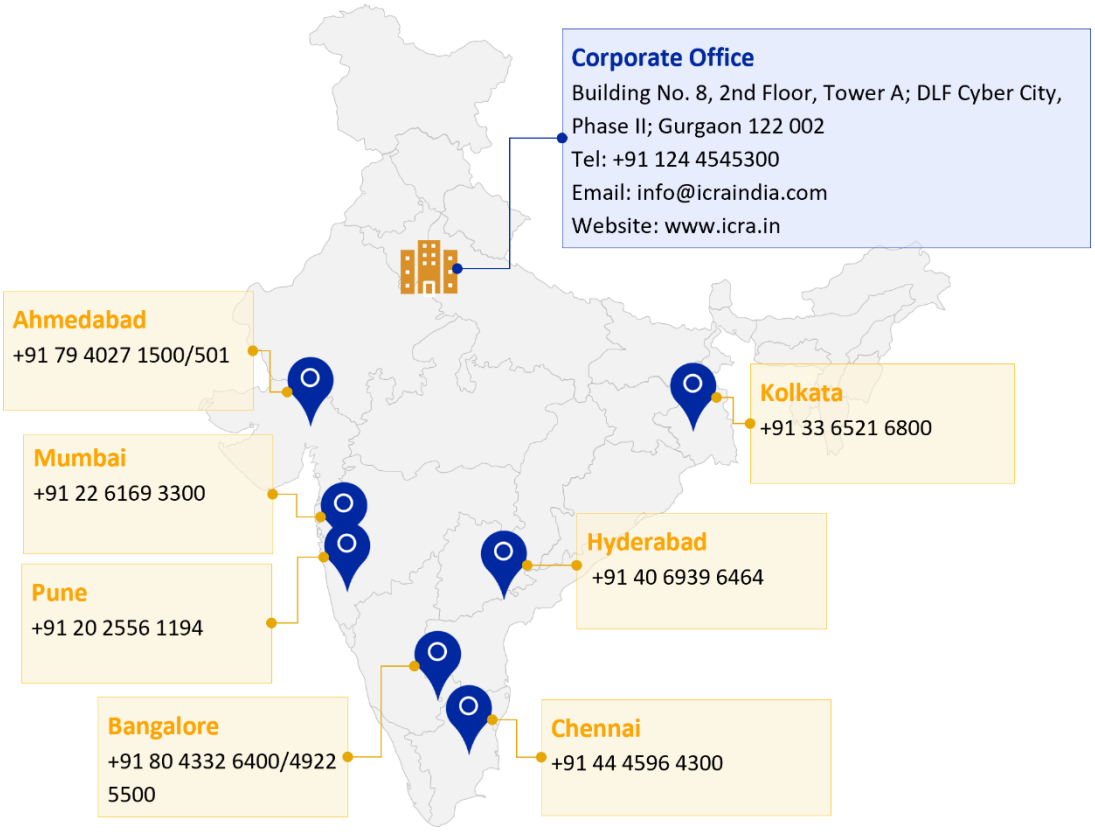

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