



Ashok Leyland Limited

Instruments	Amount (Rs. Crore [*])	Rating Action
Non Convertible Debentures	1,075.0	[ICRA]AA- (stable) / upgraded from [ICRA]A+
Non Convertible Debentures	385.0	Rating withdrawn
Commercial Paper / Short term debt	600.0	[ICRA]A1+ / reaffirmed
Long term: Fund based limits (Note)	900.0	[ICRA]AA- (stable) / upgraded from [ICRA]A+
Long term: loans (proposed)	55.0	[ICRA]AA- (stable) / upgraded from [ICRA]A+
Short term: Non-fund based facilities (Note)	750.0	[ICRA]A1+ / reaffirmed
Short term: fund based limits (proposed)	200.0	[ICRA]A1+ / reaffirmed

Note: The ratings of [ICRA]AA- (stable)/ [ICRA]A1+ shall be applicable depending on the usage of the facilities

ICRA has upgraded the long term rating from [ICRA]A+ (pronounced ICRA A plus) to [ICRA]AA- (pronounced ICRA double A minus) for the Rs. 1,075.0 Crore non-convertible debenture programme, Rs. 900.0 Crore fund based limits and Rs. 55.0 Crore long term loans of Ashok Leyland Limited ("ALL" / "The Company"). ICRA has also reaffirmed the short term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 600.0 Crore Commercial Paper / Short term debt, Rs. 750.0 Crore short term non-fund based limits and Rs. 200.0 Crore proposed short term fund based limits of ALL. The outlook on the long term rating is stable. ICRA has also withdrawn the [ICRA]AA- rating on the Rs. 385 crore at the request of the company, as a set of NCD series has been redeemed and portion of the rated NCDs were not placed by the company.

The rating action factors the improvement in ALL's operational and financial performance (standalone) during 2014-15, supported by a strong 29% YoY volume growth in the Medium and High Commercial Vehicle (M&HCV) segment, 270 bps increase in market share in the M&HCV segment, and improved cashflows on the back of healthy operational performance, monetisation of non-core assets and fund raising (via Qualified institutional placement) done in July 2014. The cash proceeds were largely applied for reduction in debt levels, thus supporting the liquidity position and improvement in capital structure and debt coverage indicators. Further, ALL's established market position as the second largest player in the domestic M&HCV segment, its strong brand equity and vast distribution network, continue to support the ratings.

However, the ratings remain constrained by the weak performance of investee companies for which funding support is expected to continue from ALL, till they achieve break-even levels. To achieve business diversification and long term operational synergies, ALL has made significant investments in new venues over the last decade. For 2015-16, ALL's cumulative spend on the capex and group investments (including loans) is estimated at around Rs. 350 crore, major portion of which will be towards funding the losses, working capital needs and debt repayments of associate companies. Early stabilisation of operations of these investee companies and extent of ALL's funding support to these entities will remain key credit monitorable. The ratings also factor the inherent cyclical nature of the commercial vehicles (CV) industry, high competition in the CV industry from both existing and new players, and tepid demand outlook for the Light commercial vehicles (LCVs) segment.

* 100 lakh = 1 crore = 10 million



Company Profile

Ashok Leyland Limited ("ALL" / "The Company") is the second-largest manufacturer in the Medium and Heavy Commercial Vehicles (M&HCV) segment in India. The Company is the flagship entity of Hinduja Group. ALL operates from six manufacturing locations with a total capacity of 150,500 units and its key products include buses, trucks, engines, and defence & special vehicles. ALL operates from six locations – one at Ennore (Chennai), two at Hosur (TN), assembly plants at Alwar (Rajasthan) and Bhandara (Maharashtra) and the largest one (with capacity of 50,000 nos) commissioned at Pantnagar (Uttarakhand) in March 2010. ALL's product range constitutes a range of commercial vehicles, buses, defence and special application vehicles including fire-fighters at international airports and diesel engines for industrial, genset and marine applications. In September 2011, ALL ventured into the LCV space by partnering with Nissan.

Recent Results

For the nine month period ending December 2014, ALL's standalone operating income stood at Rs. 9,056.5 crore (up 36.4% YoY) with profit after taxes (PAT) of Rs. 104.8 crore (compared to net loss of Rs. 334.0 crore in 9m, FY14). The PAT for 9m, 2014-15 include exceptional gains of Rs. 109.0 crore.

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For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: **9871221122**

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax: +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: **9821086490**

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: **+91 9903394664**

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: **989986490**

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: **9845022459**

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500