

August 8, 2022

National Stock Exchange of India Limited  
Exchange Plaza,  
C-1, Block G, Bandra Kurla Complex,  
Bandra (E), Mumbai - 400 051

BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001

Scrip Code: ASHOKLEY

Stock Symbol: 500477

Through: NEAPS

Through: BSE Listing Centre

Dear Sirs/Madam,

Pursuant to Regulations 30 and 46(2) (oa) (ii) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we attach herewith the transcripts of the Company's Analyst Call held on August 1, 2022 to discuss the financial results for the quarter ended June 30, 2022.

We request you to take the above on record.

Yours faithfully,  
for ASHOK LEYLAND LIMITED



N Ramanathan  
Company Secretary

Encl :a/a

**ASHOK LEYLAND LIMITED**

Registered & Corporate Office: No.1, Sardar Patel Road, Guindy, Chennai - 600 032, India | T : +91 44 2220 6000 | F : +91 44 2220 6001  
CIN - L34101TN1948PLC000105 | [www.ashokleyland.com](http://www.ashokleyland.com)



“Ashok Leyland Limited  
Q1 FY2023 Earnings Conference Call”

**August 01, 2022**



**ANALYST: MR. RAGHUNANDHAN NL – EMKAY GLOBAL  
FINANCIAL SERVICES LIMITED**

**MANAGEMENT: MR. DHEERAJ HINDUJA – EXECUTIVE CHAIRMAN –  
ASHOK LEYLAND LIMITED  
MR. GOPAL MAHADEVAN – WHOLE TIME DIRECTOR &  
CFO – ASHOK LEYLAND LIMITED  
MR. BALAJI KM – DEPUTY CHIEF FINANCIAL OFFICER  
– ASHOK LEYLAND LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2023 Earnings Conference call of Ashok Leyland hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentations concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Raghunandhan from Emkay Global Financial Services. Thank you and over to you Sir!

**Raghunandhan NL:** Good afternoon everyone. On behalf of Emkay Global, we welcome you all for Ashok Leyland Q1 FY2023 earnings conference call. From the management team we have Mr. Dheeraj Hinduja – Executive Chairman; Mr. Gopal Mahadevan – Whole Time Director & Chief Financial Officer; Mr. Balaji KM – Deputy Chief Financial Officer. We thank the management for providing us the opportunity. We hand over the call to management for opening remarks that can be followed by Q&A session. Over to you, Sir!

**Dheeraj Hinduja:** Good afternoon ladies and gentlemen. This is Dheeraj Hinduja. It gives me immense pleasure to be in touch with you and I thank you very much for the interest shown on Ashok Leyland. I would like to quickly run you through the Q1 performance as well as some of our latest developments.

I am extremely happy to share that Q1 FY2023 continued to be good, aided by strong performance in domestic truck sales with a 31.1% market share. Since Q1 of last year was impacted by the pandemic, the growth percentages are higher in most of the areas than normal.

In Q1, MHCV truck volumes have grown at almost 46% higher than the industry growth resulting in Ashok Leyland market share improving to 31.1% as compared to 26.2% in Q1 last year. Sequentially also in Q1, AL’s MHCV truck market share has grown by 50 basis points. Our market share has grown to 31.1% and Q1 from 30.6% in Q4.

EBITDA for Q1 was at Rs.320 Crores 4.4% as against the loss of Rs.140 Crores which was a minus 4.7% in Q1 last year. LCV which was on a growth phase has been impacted by semiconductor shortages, but our Q1 volumes were still higher than last year by 66%.

International operation sales have registered a 76% year-on-year growth in Q1. Q1 operating profits was at Rs.95 Crores as against the loss of Rs.381 Crores in the last year. Working capital was increased by about Rs.1400 Crores during the quarter due to increase in finished vehicle and production inventory.

Consequently, our net debt has increased by about Rs.1560 Crores in this quarter. Debt equity is at 0.3 times versus 0.6 times during same period last year.

During the quarter we have launched two more tractor models 4225 with Bogie suspension and 4825 with H6 engine. In parallel exciting launches happened in AVTR 2620 and Ecomet 1815 expanding our range. I am extremely confident that with these launches and the continued expansion of network, we will sustain the market share gains achieved in last three quarters.

Domestic CV industry volumes are on a recovery track as a result of gradual improvement in the macroeconomic environment and healthy demand from the end user industries. Headwinds such as the hardening of interest rate, increase in commodity prices and elevated fuel prices remain. Geopolitical aspects can also constrain the pace of recovery.

The domestic MHCV industry registered a healthy growth of 160% on a year-on-year basis in Q1 of FY23 aided by the low base of previous year, which had been impacted by the second wave of the pandemic. Meaningful recovery and volumes was primarily in the truck segments supported by demand in steel, cement and mining industries and pickup in economic activity. MHCV truck volume is set to grow by 15% to 20% in FY23 according to ICRA.

Passenger segment is expected to grow by 30% to 35% as demand continues to improve gradually with opening up of educational institutes and offices post impact of the pandemic.

LCV segment started its recovery before the MHCV segment, supported by demand from the agriculture and allied sector. Upstream and e-commerce since the start of the pandemic also improved the demand. This is expected to continue to support volume growth. LCV is expected to grow by 8% to 10% in FY2023.

With further demand growth we are expecting pricing to become more rationale. The softening of commodity prices, in particular of steel should impact the margins positively in the coming quarters. Fleet utilization levels are on the rise as freight volumes picked up thereby easing cash flow pressure for the operators. Freight movement indicators covering ports, rail freight, Fast Tag and e-way bill volumes have all improved as economic activity picked up.

Ashok Leyland even while growing market share sequentially has been raising prices owing to higher input cost. What is good to see is that retention of such increases is getting better. I must complement our MHCV teams who have taken up a complete rationalization of our

network appointing new distributors where there are gaps to be filled and are also working to further improve dealer profitability which is crucial. AVTR modular vehicles are doing very well and have raised the bar on industry performance. As volumes grow I am confident that we will see the benefits of modularity.

LCV both Dost and Bada Dost are exceptional vehicles and have been growing stronger by the day and volumes are limited by availability of semi-conductors. Both these products hold immense potential for exports and are a perfect fit in our addressable markets.

Going forward the growth drivers for the bus segment remain largely favorable as demand continues to improve gradually with opening up of educational institutes and offices post the impact of the pandemic waning off. This will also add to our volumes and market share as Ashok Leyland is a leader in buses historically.

Aftermarket power solutions and international businesses continue to perform exceptionally well. We are also putting effort in reducing costs both product costs as well as overheads.

Switch is a very important initiative for us and I am happy with the progress made. Switch India is operational with its own dedicated team. We are awaiting statutory approvals for transferring the E Mobility as a service business to Ohm Global Mobility India. We are in discussion with investors to raise capital both at switch mobility UK as well as in Ohm Global Mobility India for the e-mobility as a service. The discussions are progressing very well.

In line with our commitment to the global climate promise we set out to lead the environment social and governance agenda by first setting up an ESG committee at the board level followed by setting up an internal framework and a structure to steer the company initiative in this sphere.

The AL ESG team in conjunction with the key leadership team has developed an ESG vision for the company, which goes to create and lead sustainable practices across environment, social and governance initiatives delivering outstanding stakeholder value.

Environment is a given, sustainability is a choice, we wish to lead sustainability through our ESG framework.

Finally, before I open the floor for questions, let me share the financials in brief. Revenue for Q1 at Rs.7223 Crores which is a 145% higher than Q1 of last year. EBITDA is at Rs.320 Crores 4.4% in Q1 up from a loss of 140 Crores (minus 4.7%) in Q1 of last year.

Profit after tax after exceptional for the quarter was at Rs.68 Crores versus a loss of Rs.282 Crores in Q1 of FY2022.

Operating working capital for Q1 was at a negative Rs.167 Crores as against the negative of Rs.1565 Crores as of March 2022. Increased activity levels have necessitated increased working capital during the quarter. Net debt was at Rs.2282 Crores in June 2022 as against Rs.720 Crores in March 2022. Debt equity as at the end of the quarter was at 0.3 times.

Capital expenditure for the quarter was at Rs.115 Crores, Capex spend for the full year is estimated to be around 750 Crores.

I would now like to open up the floor for questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Kapil Singh from Nomura Holdings. Please go ahead.

**Kapil Singh:** Hi! Sir actually I had two questions. Firstly, on the market share, we have seen a pretty significant improvement on a Y-o-Y basis. So if you could talk about some color as to what are the things that may have helped in gaining our market share so significantly.

**Dheeraj Hinduja:** Firstly, I would say that the products are performing very well and as I already mentioned particularly in the MHCV side, the product range both in tippers and multi-axle vehicles are doing very well. Also we have been able to increase the network in the North and East which has been a weaker territory and also you would have noticed there has been a shift once again away from CNG. LCV has become a very significant sector for EV. So it still continues to be, but the shift towards diesel once again has definitely helped us as well.

**Kapil Singh:** Second on the cost side. I wanted to understand how much was the cost increase for the quarter and how much price increases we took and as we look into the next quarter, are we actually seeing a cost reduction Y-o-Y or Q-o-Q and if so how much and also if you can update in July or in August if you are taking any price increases.

**Dheeraj Hinduja:** Again as I mentioned we have been taking price increases and especially the steel price increases which has softened and the impact of those have not come through so far. The challenge has been to find the right equation, because beyond a certain point, freight rates have not increased substantially and it is very difficult to pass on this commodity cost increase onto the customer. So there have been tremendous cost reduction initiatives internally as well and that is continuous for us. We have spoken previously of our value engineering initiative. Gopal would you like to expand on this.

**Gopal Mahadevan:** So essentially what has happened is that steel prices have gone up by approximately about Rs.5 to Rs.6 per kg across, I mean, not only for us but for the industry, as these are settlements made not only by commercial vehicle manufacturers, but also by other automakers. What we have done is, while despite these challenges we have grown the market share and we have also increased the prices. The price increases realization would be anywhere between 1.7% to 2% which has been nearing over the quarter. So depending on the type of the vehicle like chairman mentioned we have done very well maybe our growth has been one of the highest in MAV, tractor trailers, tippers and ICV trucks post the launch of the CNG vehicles, we have actually seen a jump in the ICV market share as well. Going forward we believe that steel prices should soften and we are seeing that happening in Q2 as we will have to wait for the settlements to happen. The only thing that will stand which can again increase steel prices would be that if there is a removal of the export duty which people are talking may happen in end of Q3 or Q4, but otherwise we are seeing that there is a certain amount of reduction in steel prices that is expected in Q2 and we will continue to raise prices and we are already doing that.

**Kapil Singh:** Just lastly if you could share some update on switch we have been waiting for the fund raise or the deal for some time now. So what is the status and if you could share an update over there as well.

**Dheeraj Hinduja:** Yes, I know that I have discussed this earlier as well on few occasions and possibly maybe we have not closed this as quickly as we can because we wanted to make sure that we get the right valuation and we get the right partners to come in with us as well. I believe that we are there now, we are working towards closure in the coming weeks. I do not think we are too far. As you might have seen that the market for EVs on a global basis has softened quite a bit, but I am glad to say that the manner in which switch has been progressing by having our products on the road, increasing the order book, I think investors do realize the real value that switch as a company does bring in. So I do recognize I have mentioned this earlier on our calls as well, but in my view we are very close now in our finalization with the investors.

**Kapil Singh:** Okay thank you I wish you all the best.

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

**Pramod Kumar:** Thanks a lot for the opportunity. My first question pertains to the other expenditure side last quarter we had a favor of control on the other expenditure side, but we have seen some massive surge this quarter. So if you can just help us understand Gopal as to what happened

here and what could be more like a normalized level of other expenditure for you for the remainder of the year.

**Gopal Mahadevan:** See, while you said massive, I don't think it will be massive as we mentioned in the last quarter (Q4) typically we get benefits of some of the provisions that we make throughout the year like for example incentives or cost increases that we have to budget for and then at the fourth quarter there is a lot of settlement of all of these things that happen. When that happens and then combined with operating leverage as a percentage to sale becomes lower. Volume discounts from suppliers are not only material as other things also come out in the fourth quarter. Now the second part of it is the inflation itself, you must remember that we are currently facing quite a bit of an inflation. So when you are looking at cost in the first quarter a lot of these contracts that we have entered into for various aspects including contract labor, third party labor, not all of that comes in staff cost, a lot of that stuff comes in other expenditure. So when that happens you see the inflationary expense also of the cost coming in the reset, it is resetting itself in the Q1. As we move forward what we should be expecting is that there should be a slightly southern movement in terms of percentage to sale as far as the other expenditure is concerned as Chairman had mentioned we as a team are working very hard to take costs out of all expenditure heads in P&L including distribution, material, improving productivity and also other expenses.

**Pramod Kumar:** Second question is on the pricing and the competitiveness because there is an evolving view that commodity prices have started to soften. So the CV industry should be able to see better pricing and better margins, but at the same time we have seen even with last two years plus of good demand or almost a good demand in the last few quarters. The industry has not benefited on the profitability side even with operating leverage benefits and the reason being competition. So what are your thoughts on this as the industry starts getting some tailwinds from commodity. How do you see the net pricing and the net margin scenarios evolving, the gross margin level, I am not talking about the EBITDA margin, but more on the gross margin level and related to that is whether are you seeing any revival in demand from the small 1 to 10 truck operator kind of a category because that could probably result in better pricing for you because the bidding scenario on those orders will not be there as such. So if you can just help us understand the pricing and the gross margin scenario here.

**Dheeraj Hinduja:** I think you are completely right in terms of besides the softening on the commodity prices, competition does remain immense and there will always be that pressure in terms of how to sustain the market share as well as continue to increase the price to a level that gives us better gross margins as well. I have said earlier that for us we want to grow market share on a profitable basis and that really comes about by delivering better products and better



services. The modular platform has allowed us to do this, it does reduce the cost at the back end substantially we are able to reduce our number of vendors as well. So although we have to take it for granted that whether it is on the all segments MHCV, LCV, buses, competition will always be there, but we are continuously raising our prices as Gopal explained and the softening of the commodities should help us and the product pool that has helped us in getting up to this 31% market share which is not purely from a perspective of the market dynamics itself. There is a lot of customer pull on how they are perceiving our products and the value that it brings. Even the fuel performance on our BSVI compared to the competition is showing better results across the board. So I think given all of this it does allow us to price better and where we need to be more competitive we will take those calls as well, but I think we as a team feel quite confident that going forward the gross margin level should improve for the company. As far as the retail customers are concerned there is an improvement that I have seen as well, but a lot of the infrastructure projects that are happening on the roads and also when you look at the mines, bulk deals are happening still with the strategic buyers. So there is a slight upturn with retail in different segments, I mean, the e-commerce segment, the LCV segment is very much dominated predominantly by retail, but the higher-end products are more the fleet owners. I hope I have been able to answer that.

**Pramod Kumar:** I think it has been great and just a follow up on that. Do you see the structure changing ever because of the way the taxation norms have changed the entire fallout of demonetisation, GST, and the way the financing has evolved. So do you see that in the heavy tonnage category or the medium and heavy tonnage category there will be any reversal of this trend of formalization of the industry and it is becoming more of a B2B business with strategic players on the trucking, on the fleet side. Do you see this changing ever.

**Dheeraj Hinduja:** The trend if you see historically in India as well the retail segment does kick in then it slows down as soon as the cycle turns. So there is a lot of movement and a lot of the retail is prompted by when there are very attractive finance terms that are given as well, but if I look at the global theme and from that perspective B2B has a very heavy and definitely is the way forward looking at the product cost itself, availability of drivers. So in the long run the ratio in this heavy end according to me will be more geared towards the larger fleet owners.

**Pramod Kumar:** Thanks a lot Dheeraj, thank you Gopal. Best of luck. Thank you.

**Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

**Jinesh Gandhi:** Couple of questions from my side. One is with respect to the RM cost impact in 1Q. So, if we see the gross margins they have corrected quite reasonably, but can you comment on what was the cost inflation on the commodity side in 1Q.

**Gopal Mahadevan:** Just like I had mentioned earlier the steel price increases had been at about Rs.4 to Rs.5 a kg. So you can do the math that is the base on which the cost inflation has happened, but of course an entire vehicle is not steel there are other aggregates etc. There are two or three good things that are happening one is that it looks like definitely in Q2 steel prices will soften and hopefully if the export duty continues the steel prices will continue to be at a softer range. The second good thing that is happening is that there is a pull in the industry now, the TIV is actually growing fast and you are seeing that there is a lot of investment led growth and the government is creating demand for trucks and the second most important thing is the bus demand. Bus demand is also reviving as you are seeing opening up of all schools, colleges, intercity transport, etc. mofussil buses etc. The third is of course internal to the company and there are two things that are happening. One is as chairman mentioned our offerings have been appreciated that predominantly in all geographies as well as in all sub segments covering ICV, Haulage, Tipper, Tractor MAV we have gained share. So this is not just some mathematical thing that has happened. The second bit of it is of course there are renewed programs that we are having currently all across the company for taking cost out methodically which we have been doing over the last four to five years and we are getting better and better at it and you would see the confluence of all of this, 1) softening of raw material prices, 2) increase in demand because increase in TIV happening because of demand coming up, 3) product performance has been getting better, we have made quite a few launches last quarter and the quarter before that we introduced CNG which has been well received. Of course now the CNG arbitrage is going well it is not as high as it was, but we will still continue to introduce products in the ICV range where we are seeing growth and 4<sup>th</sup> is the initiative that we are taking within the company itself. So if we were to add up all of this we do see a situation where we will continue to pursue growth in the domestic market and secondly we will continue to take out cost and grow profitably. One more thing that I may add and I am sure chairman may want to expand is the performance of the other businesses also if you look at it LCV would have done even better than what we wanted it to because there was a constraint in the semi-conductor availability. Semi-conductor availability is another constraint which possibly will see going away over the next few quarters because very clearly the demand for electronic items has come off quite a bit post COVID and then all our other businesses including aftermarket have done very well, exports has posted a growth of nearly 75% in terms of CVs. So I think there is lot of positive things that are happening so we are de-volatizing the company as well, so this in terms of the composition of what is happening in the company a lot of things are hopefully falling in place. Back to you!

**Jinesh Gandhi:** And can you share how are discounts in this quarter I believe they would be more or less flat on Q-o-Q basis and how they are trending in July and the price increase taken in July or August so far.

**Gopal Mahadevan:** See the discounts continue to be high, I mean, I would not say the discounts are coming off but what we are trying to do is the industry is also moving in from a pure discounting to various offerings that we are doing. We are offering extended warranty, AMC's. So all of that is now becoming a buying pull or an offer that the customer is looking at very keenly. As far as the July numbers are concerned we will have to wait and watch I am not able to comment on it, but the discounts continue to be high, but what we are also looking at is the net price realization as I keep stating because what is important is am I netting more month-on-month or not in terms of price realization and that factually we are. So our net price realizations are improving and with the reduction in raw material prices I think the margin should improve.

**Jinesh Gandhi:** And lastly can you talk about the switch mobility with respect to the order book and product pipeline particularly for the Indian market.

**Gopal Mahadevan:** I will just quickly share the order book, but then I will hand it over to chairman. We have roughly about 600 bus order for switch India and that we have from BMTC (Bangalore Metropolitan Transport Corporation), BEST and a couple of private orders. I think company is doing well, product is getting well accepted, and we are doing most of this as e-mobility as a service which means we also operate it on the customer's behalf and the uptimes are good. So customers are seeing the benefit of a credible OE like Ashok Leyland actually delivering services to them, but as far as switch, overall strategy is concerned I think it would be most appropriate if chairman were to share it. Chairman over to you.

**Dheeraj Hinduja:** So Gopal mentioned the order book, I would emphasize is that we do participate in many other tenders as well, but we are participating at the price which we believe in the long run because we have to hold good for the next eight, ten years are going to be profitable contracts. So at this point of time what you see is these 600 vehicles we also have quite a large interest and an expression of interest from many customers for our LCVs which we are looking to introduce from Q4 of this financial year (Dost and Bada Dost) which will get into the market progressively from FY2024, Q4 of this financial year.

**Jinesh Gandhi:** Great thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Gunjan Prithyani from Bank of America. Please go ahead.

**Gunjan Prithyani:** Thanks for taking my questions. Just two questions firstly on the white spaces that we have been calling out CNG and know still more launches on LCV. Could you just give some more sense as to incrementally what are the product gaps because CNG you have done some launches, but LCV we are still awaiting there was supposed to be more product action. So some color on incrementally what kind of product action we could expect in the white spaces.

**Dheeraj Hinduja:** Well on CNG as we had said on our last call we have introduced the CNG in our ICV segment and we are working to ensure that all products are available in CNG fuel also during the course of this next eight, nine months. As far as the LCV is concerned we at this point of time have the Dost, Bada dost and partner. Dost is already available in the CNG format, but as we look ahead especially in the LCV, we are seeing a very strong trend from end customers to move towards an electric version in the light segment. So this will move slowly but that is the movement I think the market will witness during the next two, three years.

**Gunjan Prithyani:** Just extension of this electric. Two parts to it. One on the bus side now you have consciously not been very aggressive in some of these CESL orders where you did not see the viability but could you give us a little bit color in terms of how should we be thinking about the industry because right now it seems to be largely driven by STUs, but you have mentioned that we will see traction on the private side as well. So maybe some color on how the industry is structured and how you will address this opportunity by not competing aggressively in the STU space and on the LCV just the semi-conductor shortage number if you can help us how much we are below the optimum monthly run rate that we can achieve due to these semi-conductor shortages.

**Dheeraj Hinduja:** Let us say the move in electric on the passenger side with the larger volumes are coming from STUs and just to give a clear perception on this. We will be aggressive, but we will be aggressive in tenders and on routes where we believe that the ability to make money is going to be better. There is no point taking in contracts for eight, ten years which will be running at a loss and I do believe that during the course of the next few months, possibly a year, many of our competitors will come to a similar realization that it is much better to run these on a profitable manner, but as far as on the private sector a lot of the buses are used for staff transportation whether it is for even Ashok Leyland uses buses for staff transportation, the BPO companies, IT companies, and their own green program is shifting them to make sure that even that staff transportation should be done on a green basis. So we are seeing increasingly more interest from those customers and our first order for the private segment would be happening in the middle of August. This is an order for about 75 buses

and we will start that delivery in the middle of August, but the interest is definitely growing in that segment as well.

**Gunjan Prithyani:** And LCV production cut and I mean how much is the impact.

**Dheeraj Hinduja:** According to me from ECU shortage during the last few months could be between 500 to 1000 vehicles based on what the market requirement could have been. Gopal would you like to add more.

**Gopal Mahadevan:** I think that number is right. So that shortage is there and we cannot help it. It depends on whom you are sourcing it from and so each player has their supply chain constraints but hopefully all of this will go through like for this month again the LCV volumes have gone up by about 7% or so because we did see a little bit of ease on supply constraints so hopefully things will keep getting better and better because like chairman mentioned the performance of Dost and Bada-Dost is exceptionally well and we are yet to go on a pan India basis. The other thing that all of us must realize, today most of the sales is happening in may be west and certain other parts of India and if you start going on a pan India basis this vehicle will become truly pan India. So the team is working on the distribution across the country, we are also seeing whether there are synergies between dealerships that we have across businesses and seeing how do we make the penetration even more on a product which is better than what competition has to offer.

**Gunjan Prithyani:** Got it. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Amin Pirani from JP Morgan. Please go ahead.

**Amin Pirani:** Thanks for the opportunity. My question was regarding the pricing environment obviously you have spoken about it to some extent, but would it be right to say that for the last three to four months the discounting pressure from competition in the market in general has been much lower and everybody has taken the sensible route and allowing prices to go up.

**Gopal Mahadevan:** I would say yes because of the material cost increase we have no other choice. Why is that despite volume increases there is a margin pressure, it is because we need to catch up on the cost increase that has happened 1) between BSIV to BSVI and 2) the steel price increases, So I think with the demand coming up, we were not and possibly some of the players were looking at customer acquisition through pricing alone but in a situation where the demand starts to go up then what happens is that price is just one factor for decision making. So hopefully customers will see the total cost of operations, they will see the vehicle

performance, the fuel consumption, drivability and so many other factors. So that, these are reckoned four to five years and sometimes ten years with vehicles are used. So I think we are going to see improvement in prices and especially so even in AL.

**Amin Pirani:** Great that is helpful and secondly just on the financing business if you could give some update as to how the Hinduja Leyland finance is doing and any updates on the listing of the business and the deal that you had announced sometime back. Thank you.

**Gopal Mahadevan:** I will request chairman to talk about the status and I will give some brief numbers on Hinduja Leyland Finance once he shares the details with you.

**Dheeraj Hinduja:** The HLF has also been doing well, the auto industry, I mean, the recovery of Ashok Leyland and the MHCV industry goes very well for them as well the margins are improving where I would say the company has done exceptionally well is their housing finance business which was started about five years ago now. So they have grown very rapidly in that segment and it has added well and as you know the portfolio for Hinduja Leyland finance is quite diverse so we are doing two-wheeler, three-wheelers, tractors, commercial vehicles, and that let us say spreading of risk across the board has improved, our NIM is improving and Gopal if you can give an update on the listing side.

**Gopal Mahadevan:** Sure, so we are looking at options for this, you will hear from us shortly. We had announced the proposal about a couple of months back. So that both the teams are working on that we will have an update for you shortly on that. As far as the overall consolidated numbers are concerned for HLFL which includes Hinduja Housing Finance and of course a very important business that is getting nurtured between Ashok Leyland and Hinduja Leyland Finance is Gro Digital, but consolidated AUM is about 30720 Crores. The company has done disbursements of 3484 Crores, income was 800 Crores and a PAT of 97 Crores which is 12% and GNPA was 3.7% NPA was 2.3%. So the company is actually doing well continuously rejigging the portfolio and some of the portfolios are doing extremely well, some portfolios of course have some opportunities to get better, but a truly diversified company which helps it is not just an MHCV Financing Company it has got off-road vehicles, it has got loan against property and multiple portfolios.

**Amin Pirani:** That is helpful. Just one last thing on that do you anticipate investing any money into Hinduja Leyland Finance this year because we still do not know the timelines of the reverse merger. So if you can help us understand on that and that will be my last question. Thank you.

**Gopal Mahadevan:** See there are two things. 1) we are not able to state now because it depends on the timing 2) even if we have to make some investment let us assume it is not going to be significant and 3) whatever investment that you have been making to Hinduja Leyland Finance has only been accretive finally to Ashok Leyland because finally what do we do, we invest equity for actually growing the business this is not for any other purpose. So the capital requirement if any, that comes in we would want to ensure that Hinduja Leyland Finance does not miss any step of business acquisition and growing the business for want of capital but we have not done any huge investment in HLFL. So maybe 100 Crores, 200 Crores, but still very early for us to share anything at all.

**Amin Pirani:** Great Sir, thank you.

**Moderator:** Thank you. The next question is from the line of Chirag Shah from Edelweiss Capital. Please go ahead.

**Chirag Shah:** Thanks for the opportunity Sir. Two questions from my side. First on the gross margin at the cost of repeating. So when we look at some of the peer set numbers that have come across there seems to be slightly higher pressure on gross margin in the quarter. Now is it largely because of the lag effect of commodities or it has more to do with the revenue mix also if you can share some light some breakup if possible.

**Gopal Mahadevan:** Sorry just to clarify for everyone's benefit, are you stating that our gross margins are better or I did not understand.

**Chirag Shah:** No, the sequential the pressure seems to be higher when we compare to the peer set. See I understand that it could be purely sequential or seasonal of quarterly variations. So is that the reason or there is something in the revenue mix which is taking it slightly lower frequently and absolute terms as well as when you compared to the to the industry peers. So that was first question.

**Gopal Mahadevan:** You see basically it is when you look at peer set 1) there are only one or two with whom you have public domain information. 2) the raw material and you have information on raw material as a percentage of revenues. See the absolute ratio of raw material to revenues will depend on the level of in-sourcing and outsourcing that happens. So there is a vast difference so it is not an apple-to-apple comparison. Having said that if you have seen raw material as a percentage to sale, we have seen an increase on steel prices and that is one of the reasons why you are seeing the raw material as a percentage to sale actually going up and the third reason is the mix as you mentioned we have grown in ICV in terms of margins ICV cannot be as high as say a heavy vehicle say 15 tons, 16 tons or a 20-ton truck cannot

be as profitable as in terms of percentages as a 40 ton or 49 ton. So as in this business as the size of the vehicle start to grow, the profitability per unit also gets better, but having said that let me not leave you with the impression that we have not been growing and like I mentioned we have been growing predominantly in all geographies and all segments, but these are the main reasons why we have seen the raw material as a percentage to still actually going up marginally sequentially.

**Chirag Shah:** This is helpful. Second question was on the dealer profitability you indicated in the opening. So is it more incremental and ongoing thing or there is some, because we had done a reasonable structural look at the dealership the way they function a few years back. So is there something of similar nature you are looking at and if some of the areas that if you would like to highlight what you are looking at because I understand that dealers are reasonably efficient as on date.

**Gopal Mahadevan:** No I think one of the most important things that our dealers appreciate from Ashok Leyland and I will quickly hand it over to Chairman also is that we do not keep pushing inventory into the system. So for them what happens is that they do not have the pressure of having to take vehicles and then getting stuck. The second part of it is dealer profitability is something which is very core to us in Ashok Leyland so for as the profit profitability of partners is equally important and there is a lot of focus on improving dealer viability where we have seen that some of the dealers have not been able to get their volume that are required, we are trying to help them to realign some of the geographies. We are also looking at where some dealers are underperforming, it is not that there were any constraints in those cases I think there has also been a refresh of the entire dealership that has happened quite a bit over the last six months and that is why you are actually seeing the growth in the market share as well of course apart from the customer's acceptance of products, but having said this would now hand it over to chairman to actually expand on this.

**Dheeraj Hinduja:** Gopal you elaborated it quite extensively on the dealers is there any specific element that still requires clarification.

**Chirag Shah:** No, this is helpful. Thank you very much and all the best.

**Moderator:** Thank you. The next question is from the line of Joseph George from IIFL Securities Limited. Please go ahead.

**Joseph George:** Thank you for the opportunity. I just have one question. So when we look at the current TIV so if you look at quarterly volumes and adjust it for seasonality. We note that it is fairly close to the peak TIV. The peak TIV, I recall correctly was about 390000 close to 4 lakhs



and current volumes adjusted for seasonality would be 3.4, 3.5 lakhs. So despite a large part of normalization of volume, we are seeing that discounts are significantly high which is counterintuitive because typically good volumes come with lower discounts and in that context when you look at what your peak margins can be, when volumes completely go back to previous highs may be say in FY2024. Do you think you can reach the 11%, 12% kind of EBITDA margin that you have reached in the previous cycles?

**Dheeraj Hinduja:** I would say that one of the things we do need to take into account is that as we have gone through these emission norms. There has been a cost escalation as a result of those which we have not been able to pass on substantially onto the market, but I feel quite comfortable in saying that an EBITDA of + 10% or possibly 11% is where we as an industry should operate because there needs to be efficiency internally within the company. So even if we are not able to price at a level due to competition where we should be, we are definitely working on our internal efficiency with many cost reduction initiatives to try and see how we get to better EBITDA level. Gopal would you like to add anything.

**Gopal Mahadevan:** No, I think you have stated that and all I can just add is internally we are also pushing to ensure that we not only grow but grow profitably.

**Moderator:** Ladies and gentlemen, I am sorry we have lost the connection of Mr. Gopal Mahadevan I will quickly connect them, give me a moment. In the meanwhile, I would request Mr. Hinduja to continue with the answer.

**Dheeraj Hinduja:** I think as Gopal was saying the internal efficiencies what we are focused upon and the last two quarters the growth that we see in market share I would like to re-emphasize a lot of it has to do around the product itself and the performance of the product the performance of the engine. So if we can keep going and as the customers are becoming more sophisticated looking at the total cost of ownership as opposed to that immediate point of price when they initially purchase I think we are set up very well.

**Moderator:** Sorry to interrupt Sir we have the line of Mr. Gopal Mahadevan connected now.

**Gopal Mahadevan:** Yes, thank you my line got disconnected. Sorry go ahead please.

**Dheeraj Hinduja:** I hope I have responded to your question.

**Joseph George:** Yes, Sir thank you that is all I had. Thank you.

**Moderator:** Thank you. The next question is from the line of Saurabh from Ambit Capital. Please go ahead.

- Saurabh:** Hi! Sir, can you please throw some light on the exceptional item that we have seen in the accounts this quarter like the discontinued products for the LCV division and more importantly regarding the expected outflow due to the accidental damage.
- Gopal Mahadevan:** See that is the discontinued operations are nothing but a quarterly charge that happens on account of the merger of the LCV business with Ashok Leyland. So this is a very minor charge that happens every quarter it is an accounting thing which will run through a couple of years I do not know the exact term, but this is a charge that needs to come in because the businesses have been merged all the three LCV companies have been merged what was the second part please.
- Saurabh:** Regarding the expected outlook due to the accidental damage which is appearing in the consolidated accounts.
- Gopal Mahadevan:** No, that is nothing but it pertains to Optare / Switch where there was a fire and so there is an insurance claim that is pending but I think the Switch management has conservatively take a charge of that. Next question please.
- Saurabh:** And basically just at the cost of repetition so regarding the other expenses. When I was going through the previous trends so normally what we have seen is that in the first quarter other expenses have been normally lower as compared to the fourth quarter by approximately 10%, 15% but in the first quarter we have seen on the contrary some rise as against falls. So just wanted to understand if there were any one-offs in the quarter or have the expenses actually gone up or the marketing expenses?
- Gopal Mahadevan:** No, let me again explain this. Last quarter was a little different in the sense and I had mentioned it in the call as well that we were able to handle quite a bit of reductions in various inputs, services that were taken. The second one was that there are certain reversals of expenditure that we take throughout the year not because of anything, I mean we have to wait for the end of the year for the actual performance to happen. So like for example sales incentives. The other one is say for example some of the provisions that we make on employee costs etc. depending on the actual performance of the company. The other aspect which we are kind of missing out is unlike in the previous years, this is quite a high inflation year and so you have to reset some of the contracts that we have entered into effective 1st of April. So you have seen a cost build up. What I can only share at the moment and this is not a like we cannot tell it with accuracy, but we believe that as the year moves on, we will see a kind of a gradual tapering off of the expenditure as a percentage to sale and as the year moves on, you would see that happening.

**Saurabh:** Still If I have got it correct. So basically it is the same expenses but they have gone up and there are no anyone-offs in this quarter.

**Gopal Mahadevan:** No there are no one-offs in this quarter there is nothing exceptional huge hit or anything. Nothing if it was we would have shared it with you.

**Saurabh:** And lastly on the passenger MHCV business so basically we have seen that it has been the biggest laggard in terms of recovery right. So what are you reading so from the market in terms of demand outlook also this space has historically been largely a three-player game, but with the gradual shift towards the e-buses what kind of disruption you are looking at any color on those?

**Gopal Mahadevan:** Sir would you want to answer that or should I take it.

**Dheeraj Hinduja:** As I mentioned at the start of the call we are looking at based on ICRA this segment should see a growth of anywhere between 30% to 35%. Demand is coming back right from school buses to STUs from the private segment and you are right, competition has increased as there are more entrants in this segment as well. But luckily we have very strong relationship with a lot of STUs and they have seen the performance of the product and their manpower is trained to deal with our products pretty well. So we do feel that we can continue our dominance within this segment and the challenge always is to make sure that we have newer and newer products coming up in this segment. As far as the EV segment is concerned, it is still a smaller number although when we hear about the tenders whether it is 2000, 4000, but those are all to be delivered over a period of time. So in the immediate sense, diesel will continue to be the top priority for this segment but we are seeing growth in EVs actually seeing the growth faster than many other geographies which is very encouraging in terms of the government initiative to push the green agenda and I can assure you that we have been number one when it comes to buses and we would like to continue that whether in whichever fuel types it could be diesel, electric, and going forward CNG, etc. So we are quite comfortable and confident in this.

**Saurabh:** Got it and Gopal lastly on a data point if you can help me out here. What would be the spares mix and Q1 spares revenue that is it from my side.

**Gopal Mahadevan:** Sorry what would be I did not understand.

**Saurabh:** What would be the spares mix in the total revenue and spare mix as a percentage and the revenue absolute revenue if you could share.

**Gopal Mahadevan:** Spares was about 8% of the overall revenue. So the total revenue was 7223 cr.

- Saurabh:** And it has increased Q-o-Q.
- Gopal Mahadevan:** Q-o-Q the spares revenue that is you are talking Q-o-Q as a sequential or is it.
- Saurabh:** Sequential.
- Gopal Mahadevan:** Sequential it would be marginally higher viz., from 7% of overall revenue in last quarter.
- Saurabh:** Okay got it. Thank you.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question for today. I now hand the conference over to the management for closing comments.
- Dheeraj Hinduja:** I would just like to thank everyone once again for participating and showing your interest. I hope you do see continued growth in this industry even if we look at the GDP analysis which is estimated anywhere between 6%, 6.5%, 7% growth, with that growth rate we believe that this segment should see continuation of the upward trend that we have witnessed over the last few quarters and for us at Ashok Leyland the important aspect is to make sure that our customers receive the best products and they receive the best service. Our subsidiaries like Hinduja Leyland finance are performing well, switch as a company both in UK and in India and expanding into Europe is also moving at the pace and plans that we have for it and we continue to be quite optimistic about the next few quarters we do realize there are headwinds with inflationary pressures, interest rate hikes and conflicts between Russia, Ukraine but if the government growth plans continue then we are quite optimistic about the Ashok Leyland performance as well. Thank you. Gopal would you like to add anything.
- Gopal Mahadevan:** No thank you Sir, I think nothing more. Thank you very much for the interest in Ashok Leyland to all of you and very healthy attendance today in the call. Thank you.
- Moderator:** Thank you. On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.