

May 27, 2022

National Stock Exchange of India Limited
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C-1, Block G, Bandra Kurla Complex,
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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 May 20, 2022 to discuss the financial results for the quarter and year ended March 31, 2022.

We request you to take the above on record.

Yours faithfully,
for ASHOK LEYLAND LIMITED



N Ramanathan
Company Secretary

ASHOK LEYLAND LIMITED

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“Ashok Leyland Limited Q4 FY2022 Results Conference Call”

May 20, 2022



**ANALYST: MR. JINESH GANDHI – MOTILAL OSWAL
SECURITIES LIMITED**

**MANAGEMENT: MR. DHEERAJ G HINDUJA –EXECUTIVE CHAIRMAN –
ASHOK LEYLAND
MR. GOPAL MAHADEVAN – WHOLE TIME
DIRECTOR& CHIEF FINANCIAL OFFICER – ASHOK
LEYLAND
MR. K M BALAJI – DEPUTY CHIEF FINANCIAL
OFFICER –ASHOK LEYLAND**

Moderator: Ladies and gentlemen, good day and welcome to Ashok Leyland 4Q FY2022 Earnings Conference call hosted by Motilal Oswal Financial Services Limited. 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. Jinesh Gandhi from Motilal Oswal Financial Services. Thank you and over to you Sir!

Jinesh Gandhi: Thank you Aman. Good morning, everyone. On behalf of Motilal Oswal Financial Services I would like to welcome you all to fourth quarter FY2022 Post Results Conference Call of Ashok Leyland. Ashok Leyland is represented by Mr. Dheeraj G Hinduja - Executive Chairman Mr. Gopal Mahadevan – Full Time Director & CFO, Mr. K. M. Balaji – Deputy CFO. We would like to thank the management for taking time out for the call. I now hand over the call to Mr. Hinduja for his opening remarks post which we will start with Q&A. Over to you Mr. Hinduja!

Dheeraj Hinduja: Thank you. Good morning ladies and gentlemen, it gives me immense pleasure to be in touch with you. I thank you very much for the interest shown in Ashok Leyland. I will quickly run you through the Q4 and full year performance as well as some latest development.

I am extremely happy to share that FY2022 has been a year of turnaround for AL aided by a strong performance in Q4. We have been able to post smart performance on most of the areas. Q4 was more a consolidation quarter if I may call post the trends reversal in Q3.

I am happy to share that after 10 quarters our M&HCV domestic truck market share has crossed 30%. In Q4 M&HCV truck volumes have grown at almost 50% higher than the industry growth resulting in our market share going to 30.6% as compared to 28.9% in Q4 last year. Sequentially also in Q4 our M&HCV truck volume have grown 78% as against in the industry growth of 47%. Our market share has grown to 30.6% in Q4 from 25.3% in Q3. Our April 2022 market share was at around 30% as against 29% in same month last year.

I am happy to say that our Q4 absolute EBITDA has gone up sequentially by two and a half times in percentage terms also EBITDA has more than doubled to 8.9% from 4% in Q3 despite taking into account the full impact of raw material price increases. Last year Q4 EBITDA was at 7.6%. LCV which was on a growth phase has been impacted by semiconductor shortages but on a full year our volumes are still higher than last year.

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International operation sales have registered a 31% year-on-year growth in Q4, 4173 numbers compared to 3164 in Q4 of last year. International operation sales for full year have been at 11014 numbers, a 38% growth over last year.

Domestic aftermarket sales grew at 14% in Q4 over last year on a full year basis aftermarket sales were up at 31% over last year. Despite challenging circumstances our operating profit grew by 91% year-on-year in Q4 and for full year. Operating profit has turned positive at Rs.17 Crores from Rs.400 Crores loss last year.

We continue to generate cash and further reduced our net debt by Rs.1977 Crores this quarter. Debt equity is at a comfortable 0.1 time; cash generation for a full year was at Rs.1900 Crores. During the quarter we have launched two more models in CNG covering 14 ton and 16 ton respectively which should help in growing our market share further. In parallel exciting launches happened in tippers 4825 and 2825 and multi-axle segments 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 the last two quarters.

The domestic M&HCV truck segment post the improvement in sales volume in Q4 both on a year-on-year as well as sequential basis with low bases in previous corresponding quarters. The uptick in the economic environment post pandemic and the resultant improvement in space availability supported these improvements.

M&HCV TIV have been growing since Q4 of last year and this offers well for the industry. There is still a lot of headroom for growth given that the fleets are ageing with average age between 9.9 years (as per ICRA report) and the announcement of the scrappage policy is a step in the right direction. Macroeconomic indicators put India as a high growth economy and an attractive market with further demand growth we are expecting pricing to be more rational, increase in steel prices which have resulted in significant cost push in the industry continues unabated in Q4 and if this trend continues, we should see margin depletion for all the industry players. The situation on the semiconductors is also being monitored closely.

For FY 2021 - 22 fleet utilization levels were on the rise as freight volumes picked up thereby easing cash flow pressure for the operator. Russia-Ukraine conflict has driven the diesel prices up leaving the spotlight on the fleet operator's ability to protect their margins through freight rate hikes. Freight movement indicators covering ports, rail freight, Fast Tag and e-way build volumes have all improved as economic activity picked up.

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

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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. A special team is working on expanding relationships with financials. AvTR modular vehicles are doing extremely well and have raised the bar on industry performance. As volume grows, I am confident that we will see the benefits of modularity.

On the LCV front both Dost and Bada Dost are exceptional vehicles and have been growing stronger by the day and volumes are limited by the availability of semiconductors. Both these products hold immense potential for exports and are a perfect fit in our addressable market. Going forward the gross drivers for the bus segments remain largely favourable with increasing vaccination penetration, opening up of offices and educational institutions. This will add to our volumes and market share as Ashok Leyland is a leader in buses historically.

Aftermarket and international businesses continue to perform exceptionally well and power solutions business which again had grown significantly in FY 2021 with constrained by availability of ECUs.

We are also putting effort in reducing costs, both product costs as well as overheads, you can see the effects of this in the improved margin.

Switch is an important initiative and I am extremely happy with the progress that has been made. Switch India is operational with its own dedicated team; we have received statutory approvals for transferring e-map business to Ohm Global Mobility India.

We are in discussion with investors to raise capital both at switch mobility UK as well as Ohm Global Mobility India for the e-mobility as a service space. We will let you know on the outcomes of these very soon.

Finally, before we address questions, let me ask Gopal to share the financials will be.

Gopal Mahadevan:

Thank you, Chairman. I think it is a very comprehensive introduction. I will just run through the financials quickly. Our revenues were at Rs.8744 Crores which was a significant jump over Q4 of last year by almost 25%, you can see the benefit of the operating leverage coming in sequentially also when you look at the revenue, the Q4 jump in revenue has resulted in better operating margins.

There has been a lot of middle line management, material cost management which has actually helped there, there were negotiations in the fourth quarter which also saw some volume discounts coming in. We were also able to reverse some of the provisions that we did not require at the beginning of the year.

All said and done it has been a great quarter in terms of margins, in terms of the cash generation as we mentioned earlier during the year as the working capital was getting a little tight during the middle of last year, you would have heard us mentioned two things, one is that we would see the working capital situation easing off and the second one is also that we would be increasing market share from the 18.5% that we were at last year in August to September.

So, we finished the year on the M&HCV with a total market share of more than 30%, the exit market share has given extreme confidence that we are on the right path, the products are being well accepted and our cash, the net debt at the end of the year was just about 0.1 times equity between the net our overall debt was hardly about Rs.700 Crores. So, with this introduction now I will hand it over back to Chairman if he has to say anything then we can hand it back to the floor for questions.

Dheeraj Hinduja: Yes, I think we are ready for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Good morning. Congratulations to the entire team for a great performance. Firstly, I wanted to ask you about market share I we have seen a substantial improvement in fourth quarter, you have touched upon it but if you could give us some more details on what are the actions you have taken that has helped this thing improved so much and also the CNG how much is it for us right now and how many more models are required to be launched going ahead in both LCV and ILCV or M&HCV space whichever way you look at it. So, for the industry what are the CNG mix and where we are right now and some colour on that?

Dheeraj Hinduja: So, regarding the market share I think if you look back the last four- five years we have been at the 30% plus level. The last two years has been a reduction and I think 30% plus is the norm where we should be. What has helped us gain back our market share is definitely the addition of the CNG products as you are fully aware, ICV segment has become the largest segment in the industry and within that CNG is 40% of the market, so our product was slightly delayed but the market response has been very good. During COVID in phase-1 our network in North and East, unfortunately some of the dealers had shut down and it took a little time to get the revival done, this has also come up very well now and that has helped us to revise some of our market share in both of those markets the MAV segment is also seeing a revival which is going well as well as the tippers. But I would say above all, the products are performing very well which is appreciated by the customers and we have been able to push through the reliability and the quality standards of our product to the customers even more. So, I

would say those are really the aspects which have allowed us to improve our market share. Gopal, would you like to add on CNG front.

Gopal Mahadevan: Thanks Chairman. As mentioned by the Chairman there are three-four things that helped to improve the market share especially in the fourth quarter there was a lot of focus that started to happen on the network which you mentioned about. That was a complete refresh, realignment bringing in the company's dealerships as well. The second one is AvTR is proving to be a product which was taken by a lot of customers today because they find that both in terms of the build quality, total cost of ownership, fuel efficiency especially in tippers, AvTR is actually raising the bar. The third one is as we had mentioned the CNG products launch which happened in the early part of this quarter has been received very well and we have four more launches to happen in CNG. We would also be launching an AMT tipper another variant of non-AMT tipper because tipper demand is also expected to grow. Strategically what we do and I am going to finish with this for the next question, as chairman has mentioned we will continue to keep launching products and filling in the slot which is what we are doing in M&HCV, which is what we are doing in LCV, which is what we are also doing in exports. So, we will keep on introducing products which will help us to have a larger share of the customer's pie. Very clearly our goal is to continue to build our domestic business grow the share, grow it profitably, grow the LCV business, which is very crucial for our vision of being a global top 10 commercial vehicle manufacturer and ensure that we also grow our international business. After market and other businesses have also been doing exceedingly well but we will discuss that later. Back to you sir!

Dheeraj Hinduja: I think more specifically with regard to the launch of the CNG product, we have the 14 and 16 ton that are in the market at the moment and during the course of this financial year we will have the full range of products available in CNG.

Kapil Singh: Thank you. The second question is on profitability this quarter Gopal, we have seen a great performance particularly on other expenses we have kept them very tight, is there anything one-off here to call out and as you look through going ahead, we have taken I believe 2% odd price increase does that cover for the cost increase that you are seeing in Q1.

Gopal Mahadevan: As far as the expenditure is concerned the whole team has rallied together to ensure that we are keeping our overheads right to be candid, our administrative overheads have been at the level of 2014 was not factoring in inflation which means the absolute terms we have restricted it and you must understand that you are trying to post this kind of a growth and trying to also work on the distribution and new products costs typically tend to go up but we have said that we have restricted it and use it for the right appropriate purpose and hopefully we will continue this trend as we move forward. As far as the pricing is concerned, we have been raising prices, we raised it in November, we raised it in January, I think we raised it in March as well and we have done a price

increase even in April the retentions have been getting better and better and we actually see not only the market share going up but also we are seeing the retention going up. Hopefully with the softening in the steel prices we would see benefits of one operating leverage as well as better margins in the coming quarters but we will have to wait and watch.

Kapil Singh: Thank you sir. Wish you all the best.

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

Mukesh Saraf: Good morning and thank you for the opportunity. Firstly, previous quarter you had mentioned that the replacement cycle will start very soon and just wanted to get your sense of where we are now in the cycle, have we started seeing the fleet operators replacing some of these old trucks and how do you see this going forward?

Dheeraj Hinduja: We are definitely seeing that as we mentioned that the average age of the truck is nearly at an all-time high of 9.9 years and so we are definitely seeing people coming back into the market especially the fleet operators and this is a lot to do with the government's initiative on infrastructure, road building, the replacement cycle has definitely begun.

Mukesh Saraf: Okay, any guidance or any sense you want to give us on say FY2023, how the growth for the industry will be and how the mix will move for the industry in terms of tippers, any kind of guidance you can give us?

Dheeraj Hinduja: I think it has become very difficult in estimating how the markets are going to go if we go by published data then ICRA has estimated anywhere in M&HCV growth of 15% to 20% and LCV growth of around 10%. But like I said the important thing for us has been that how can we make sure between these trucks and buses how we are able to sustain ourselves and we have done lot of efforts during this down turn which I believe irrespective of how the market reacts we should be able to hold our own and continue the market share grow.

Gopal Mahadevan: I think with the product launches that we are expanding portfolio especially in CNG, we would actually have slightly better growth, that is our aspiration because as we know ICV is now today about 1/3rd in fact 35% of the overall TIV. Within ICV we find that CNG is about again 1/3rd it's about 35%. So, you have anywhere between 10 to 12 or 13% of the TIV being factored in by CNG. Our CNG play has already started. So, we still need to launch three or four vehicles as mentioned by Chairman once we do that we possibly will see a lot more traction on our ICV side itself and with the tipper launches which is happening lot of infrastructure play that is happening in the country today are aided by the government initiatives. The more tippers that we have in the

market the better it is for us to get a larger share. Let us see and the play out on semiconductor industry, if the semiconductor supplies get better as Chairman had mentioned, we actually would see a greater play in the LCV.

Mukesh Saraf: Right, thank for that Sir and secondly, could you give sense of your revenue mix that you saw in this quarter between buses, M&HCV, exports, LCVs?

Gopal Mahadevan: Thanks. Basically, if you were to look at our revenues, while we can give a broad breakdown for the quarter, we have had a domestic truck our volumes have been 27 158 trucks and domestic buses were at about 1417.

Mukesh Saraf: I was asking about the revenue mix that you provided in the previous quarter?

Gopal Mahadevan: Our revenues trucks were accounted for nearly about 67% buses was about 2.3%, light commercial vehicle was about 11.2%. So, if you were to add that about 81% of the total revenues were between trucks, buses and light commercial vehicles, the rest was the other businesses.

Mukesh Saraf: Exports and aftermarket and even the power and Defense businesses will seem be quite small.

Gopal Mahadevan: Yes, right.

Mukesh Saraf: Great Sir. Thank you. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Raghunandan from Emkay Global. Please go ahead.

Raghunandan: Congratulations sir for stellar numbers. Two questions: Firstly, can you talk about demand trends in export markets, how is the demand condition in key regions and company's initiatives.

Dheeraj Hinduja: Firstly, on the global trend there are a lot of uncertainties, inflationary pressures, but for specifically the markets that we are operating in where we are likely to see a lot more growth is in the African markets because over the course of the last 12 to 18 months what used to be predominantly project sales for us we have established many new distributors who are very strong and have a large presence in these countries and with the added product range that's available we should be able to start growing the volumes in these areas. So, Middle East Africa we feel we will continue to see good growth and the SAARC countries Bangladesh is still looking to be better than the others, I think Sri Lanka unfortunately got in to the current situation t but the growth in our product range and the larger network should allow us to see a much healthier international operation sale.

Raghunandan: Thank you sir. My second question is on capex and investments. Can you indicate how you see the capex plan for FY2023-FY2022 capex seems to be lower than planned and on non-current investments there is an increase in FY2022 versus FY2021, is it mainly due to reversal of impairment or is there any other investments. Related to that for switch mobility what are the investments so far and any progress in the fund infusion?

Gopal Mahadevan: As far as capex is concerned as we had mentioned, we have been able to restrict the capex to about Rs.400 Crores. So, as we move into the New Year that I would actually share it and Chairman can add. We are looking at rebalancing or steady-state capex to be anywhere between Rs.500 to Rs. 600 Crores typically that is what we see happening over the last few years, we do not see a significant change on that in fact there is a larger thing that is being driven in terms of the overall manufacturing strategy to see how much more efficiency can we build into the system. So, to answer your question, we see about Rs.500 to Rs.600 Crores of capex in the current year. The second one is if we decide to expand the LCV portfolio we are in discussions with that, I think that would be a separate capex but then that would also bring in a huge separate capability as well. As far as investments into switch and other subsidiaries are concerned, let us wait and what if HLFL requires some capital infusion we are very happy to support it because for every rupee that we invest into HLFL, HLFL builds the book seven to eight times on it. So, it is something that we will be happy to support this is more for growth capital in HLFL than anything else maybe about Rs.100 Crores – Rs.200 Crores at best not very significant at all HLFL has been able to manage it through very well till now. As far as switch is concerned, I think as Chairman has mentioned we are actively pursuing discussions with the investors. We would want to ensure that we have the right set of investors in the company because this is a medium-term and long-term business and we need to ensure that the investors that we have are aligned with our thought process also, because ultimately we are here to build a very good business just like we have built Ashok Leyland. If there is any funding support that may be required for switch, for instance from the Ashok Leyland we will have to provide it and we will be ready to provide it but i think at the moment there is nothing that we can share with you. As the debt equity of the balance sheet is just 0.1 time we are very comfortably placed as well, certainly we would continue to invest in growth but we will do it the way we have been doing it in the past very prudently.

K.M. Balaji: As far the non-current investments it is primarily because of the reversal of the impairment position which relates to the Optare that is why we are seeing the investment value going up from Rs. 3068 Crores to Rs. 3500 Crores.

Raghunandan: Got it, Sir. Thanks for that clarification. Thank you.

Moderator: Thank you. The next question is from the line of Abhinav Ganeshan from SBI Pension Fund. Please go ahead.

- Abhinav G:** Thank you Sir, for the opportunity and congrats on a great set of numbers. I just had a couple of broad questions. First is that when do you think the current CV cycles will be peaking and second I just wanted to understand on the financing piece of our M&HCV and LCV part how much of the total percentage of the vehicles is financed and how much is done in-house and how much other partners do it, if you could give some colour? Thank you.
- Dheeraj Hinduja:** On the CV cycle as you have seen there is an element of technicality in this business typically three to four years are seen as the boom and then we do sometimes experience downturn anywhere between six to eighteen months, this time it has been a little longer as well. It would be very difficult to guess when we would see the peak of this cycle with the growth commitment that the government has given it is very favourable for the industry at this point of time and considering that we have just come out of the recessionary trends in this segment. The next few years should continue to be growth years.
- Gopal Mahadevan:** I would agree Chairman, if you think of the CV cycle and if you look at the large mega trends that have happened, over the last three-four years there has been a reduction in the TIV itself. Of course, one part of it was COVID. The second part of it has been that the impact of the axle load norms seems to have gained, so it looks like there is fresh buying that is going to happen now because the axle load norms have been used up. The third thing that is happening is with the push for green energy and so many things happening. Very clearly the larger corporate, chemical companies, oil companies, pharma companies, e-commerce companies all of them want to ensure that their supply chain partners which is the transporters are using the latest generation vehicles and not a BSII or a BSIII vehicle, so, what is going to happen is at the larger scheme obtained the government has announced the scrappage policy but this is more a hint that there is more to come and we would actually see a lot of vehicles going off the road of the older generations and there would be a replacement demand also coming in because of the trifurcation into long-haul intercity as well as LCV. What the transporters are also doing is they are doing extremely sharp buying, the earlier trend was to buy a vehicle of 25 tonner or 30 tonner and then start using it for multiple purposes but today it is not anymore like that and people are becoming specialist transporters. We will see a consolidation in the industry which is good for us and we would actually see that each of these segments can be growing independently. ICV driven by e-commerce, LCV of course because of the last mile that is the huge amount of potential that is being held because of warehousing businesses and last mile delivery companies coming in and of course a long haul coming in because of the larger growth that we are expecting in the economy. So, the core sectors are expected to grow and there is going to be infrastructure investments, road building actually has become even more ambitious with the government setting targets much, much higher than the 25 kilometers per day that they were looking at. So, all of this seems to be auguring well for the industry and of course lastly we have not talked about one important thing which Ashok Leyland is

exceedingly good at which is the bus segment. We were the largest bus manufacturer in the country and we hopefully will soon get it back but we must remember that the bus industry, the total TIV was just a quarter of the total potential. In a good year typically it is about 40000 - 45000 units we were hardly about 11000- 12000 units because everything was shut but now with offices opening up, schools opening up, colleges opening up, intercity travel would start because people will need to get back to their work and want to go back home and once that happens when the buses start to come back on the roads again I think that would also add to industry growth.

Abhinav G: That was really useful and if you could just answer the P&L or the financing part. Broad colour if you could give?

Gopal Mahadevan: The financing continues I think there is a little bit on the NBFC side what is happening is that, there is a greater amount of restrictions coming in which is good from a governance perspective but I am not too sure how this will pan out in terms of operations. But as far as the financing is concerned, HLFL is very important strategic finance company for us because they fund Ashok Leyland customers both in M&HCV and LCV. But our financing is actually well spread out. so aside of HLFL we have deep relationships with other financing companies as well and HLFL is actually a full finance company, it is not like the finance companies that either car companies have or some of our competitors have. They do not end up financing only for trucks or buses I do not remember the exact number but approximately about 35% of the portfolio of HLFL would be commercial vehicles. But other than that it is actually well spread out in terms of two-wheeler, three-wheeler, off-road applications, loan against property and you have buy and sell down of various kind of debt instruments. So, the aspiration of HLFL management is to be a best-in-class finance company providing latest solutions for customers. For Ashok Leyland of course they are a very important subsidiary and a strategic partner for financing extremely strategic relationships. While doing that we also ensure that we are building great relationships with other financiers. As far as loan to value are concerned I am not able to say that there are any significant changes but actually the industry is moving to be a little less aggressive which is good, why is it good because then what happens the trucker can also be there in the game. But no major shifts have been seen in terms of financing, I think the collection rates have improved significantly, people are comfortable now. So, i believe that truck financing is actually slowly gaining ground.

Abhinav G: Thank you so much and that was useful. That is all from my side. Thank you.

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

Gunjan P: Thanks for taking my questions. Two questions: Firstly, on this electric bus now we clearly seeing lot of noise in the industry, lot of STU orders which are coming through

and we have seen some of the aggression from both the incumbents as well as the new startup companies. Now, just wondering what is our thought process there, how are we thinking about it, where are we on the bids with the STUs some colour on the, strategy around this electric bus because we do have a dominant share on the ICE business here. So, how are we thinking on this?

Dheeraj Hinduja:

We have now been operating the electric buses for two and a half to three years and so between Ahmedabad, Patna, we are also in Chandigarh and now we will be in Bengaluru and Mumbai. Over these years with the experience that we have gained we understand what the operational cost can be and what could be the right pricing model that we can get into these general condition contracts and since there are long-term agreements eight to ten years and we want to make sure that they will be positive and adding margins for us and as you rightly say some of these tenders are going on an aggressive basis. We are not going to be participating in let us say a price war, we believe Ashok Leyland and now switch has a good reputation and standing with the FTU. So, we will bid, but we will make sure that we will be in areas where we believe that it will be with a positive contribution margin. The other area that we are seeing is increasingly the private sector for passenger, for their staff transportation is now also moving into this segment as well and there we believe we could be more positive and a healthier contribution. So, in short I would say that a lot of aggression in this market for gaining market share but I think this would be very short term because in the long run I do not feel people will be able to take on too many contracts with very low contribution and running for eight-ten years.

Gunjan P:

Got it. Do you have any expectation how we are looking at the penetration playing out any broader industry numbers, what penetration can we see in next couple of years?

Dheeraj Hinduja:

Well in terms of market indication we will be launching next month our European bus and we are already in the UK and there is very good traction in the European markets as well we are participating in many tenders over there. In the domestic market in India I think you have seen that not only the central government but the state governments are all pushing towards greener cities. To give an exact volume in terms of what is the TIV we expect I think it is a little early, it has got many tenders coming, CEFL had a tender for 5000, I understand that there is likely to be a new tender coming up once again in excess of 5000 vehicles, but all of them have a long lead time as well, so the delivery time frame is not always within six months they do reach out to 12 months as well, a little difficult to give you an exact answer on TIV expectation.

Gunjan P:

Sure and the second and last question from my side is on this NXT digital transaction that we did any: one if you could share thought process around doing it, it makes sense from the terms of keeping it out but does it also mean that it becomes independent as far as the capital commitments in future go is that the way to think about it this carving

out of Leyland finance and merging it with NXT and anytime lines as to when do we see this concluding?

Gopal Mahadevan: Sure, we have not completed the transaction what we had actually announced to the change it was more out of good governance than anything else was that the both the companies are appointing investment bankers to study the transaction so, we will come up with the details as we progress on the deal. The basic idea is that the management of HLFL is in discussion with investors and some of them had mentioned that you know they would be keen to look at an investment into HLFL for its future capital growth provided they are also looking at a defined exit. So, what we decided to do was the NXT digital is now a company it may if things go well both the boards approve these are all subject to statutory clearances. So it is at a very early stage but it is also kind of a company which could be an ideal fit because at the moment they are just sitting on some amount of cash and a very small amount of real estate which can be possibly liquidated we will have to study that but other than that there are no operating businesses which have to be merged, there are no post margin integrations to be done right. So, if you are able to do this it is a win-win for everyone I mean NXT digital Hinduja Leyland finance as well as potential investors who will come into the company. That is how we are looking at this three-way match.

Gunjan P: Okay, thank you so much.

Moderator: Thank you. Our next question is from the line of Hitesh Goel from CLSA. Please go ahead.

Hitesh Goel: Thank you for taking my question, sir. I was just looking at April numbers for the industry right for M&HCV. If we just annualize that right and April being not a very strong month seasonally. We should easily be surpassing 30- 35% growth for the M&HCV industry. So, i was quite surprised with ICRA's estimate and you also guiding to only 15 to 20% growth are we started to see a slow down after the price increase that we have seen in April or fuel price increase which has happened. Can you shed some light on this?

Dheeraj Hinduja: I did not personally want to give you any forward trend but I was quoting what ICRA has given. April has been a stronger month coming back from March and hopefully this trend continues but there are so many uncertainties that are currently in the global economic scene. So, it is difficult to estimate but from all indications as I mentioned and with the high expenditure that the government is committing on infrastructure. The year is looking very good and with the strong growth that the government has committed towards infrastructure, we feel that the year is going to be very strong and especially in the M&HCV segment.

Hitesh Goel: Great, my second question is to Gopal, Gopal if you can shed some light, see when we look at the steel cost average in fourth quarter is close to 70 to 72 rupees per kg where we are out right now on the spot basis. So, the price increase that you have taken in April covers for that and if there is any subsequent reduction in steel price will add to the margins, am I right on understanding this?

Gopal Mahadevan: Hitesh long time. Your question is spot on. The price increase that we are taking is about 2 – 2.5% will not be sufficient for steel price increases. Let us understand where we see the potential in this business there has been a price increase that has happened from BSIV to BSVI all of you guys know that, you are all experts. The second one is, there has also been an increase in steel prices which is if you look at it from December 2020 to December 2021 and even now has been quite a significant jump and in between there has been COVID, where there has been a demand vacuum. So, the ability to raise prices has not been significantly there because there was no significant volume in the industry. So, unless you actually start picking up volume, pricing has to be done in a stepped-up way. Our price increases we believe to the best of our knowledge that our price increases have been higher than what the competition has been doing and fortunately for us with the excellent effects of our team we have also been able to raise our market share. This is exactly what we did in 2017 when we launched BSIV. To answer your question specifically, has a 2% been enough to neutralize the price increase of steel prices the answer is no, I think the first thing we are planning to do is to continue to pursue market share. The next thing that we are planning to do is of course to raise prices but to ensure that there is the M&HCV portfolio which starts to become better in terms of contribution. The third thing we are hoping for is that steel prices will soften and there will be price retention in the industry which will then improve the margins of the business even further. Fourth one is operating leverage, try to get a larger amount of share through product introductions, network etc which will also help us incrementally to have a better margin by having a larger share of the market.

Hitesh Goel: Good. My question was more saying that if I look at the gross margin basically net sales minus raw material cost by net sales that are 22% today in fourth quarter you have taken a 2% increase in the first quarter. So, that would offset the price increase which has happened in third quarter to fourth quarter because that comes in the lag. So, this 22% if the steel price does not go up from here barring neutral mix would be sustainable right or there is some other cost steel cost is yet to do?

Gopal Mahadevan: It is sustainable. To answer your question, we are looking at the contribution over material cost to get better, unless there is a further increase in steel price which will not happen. The other thing that we are doing is also an astute management of the mix between businesses and within trucks also within the product itself which will help us to hopefully gain better margins as we move forward

- Hitesh Goel:** Great. Thank you, Gopal and thank you Dheeraj. All the best.
- Moderator:** Thank you. The next question is on the line of Aryn Pirani from JP Morgan. Please go ahead.
- Aryn Pirani:** Sir, thanks for the opportunity. Most of the questions have been answered. Just wanted to get some clarification on the exceptional items on the consolidated side because on the standalone you have a gain, on the console you have a loss. So, can you just help us understand what specifically you have done in this quarter?
- Dheeraj Hinduja:** Balaji you want to answer it or do you want me to take it?
- K.M. Balaji:** The exceptional items are within the group companies, that is why you are seeing the effect of that is shown in the one of the group company essentially Ashok Leyland and when you look at the console level the impact of that you will not see in the consolidation stage.
- Gopal Mahadevan:** Aryn, just to add what is happening is that we have written back the investment of the impairment of Optare right and then we have also prudently taken off some we have also in fact had another investment so that it also helps to rationalize the balance sheet this is on a standalone basis because this is the investment that we have in the subsidiaries which is being either added back or kind of impaired. So, there is a net benefit of around, I do not know the exact number but around Rs. 400 Crores or so. Now as far as the consolidated numbers are concerned this is nothing but the performances of all the subsidiaries and Ashok Leyland. So, we are having certain losses which were there is subsidiaries like Optare etc which we know that that is how it is. But as we move forward we are expecting that these numbers will start to reduce.
- Aryn Pirani:** And I think you have taken some impairment on Albonair. So, any update on what is happening there and what is the way forward for that entity.
- Gopal Mahadevan:** Actually Albonair has actually turned a little profitable but you know we want to also be conservative; Over the past few years if you notice wherever we find that there is a necessity to take an impairment we thought that it would be kind of more prudent to do that which is why we have taken the impairment on Albonair, we had already provided 50% of it but we thought that given what is happening in the world you know the European market we said why do not we actually take this window and we studied the cash flows, so we looked at the future potential of BSVI in Europe etc. So, then we decided that it may be prudent after evaluation exercise to take the balanced impairment of Albonair itself but having said that let me also share with you and the Chairman may also want to add. The investment in Albonair has actually paid off quite a bit. The entire BSVI the exhaust system, the nozzle is actually the dozer is actually using Albonair dozer and that is actually proved to be a big advantage for us because in

the EATS viz., the exhaust after treatment system which is there in our vehicles, which has got the after the engine manifest you have the DOP, DPF and then after that you have got a few other parts in the system, there is one pipe piece which is the dozer that dozer design is actually from Albonair, so we are using that and that will continue but we said that it is a prudent measure let us take an impairment on Albonair.

- Amyr Pirani:** Great. So, thanks for the detailed response. I will come back in the queue. Thank you.
- Moderator:** Thank you. Ladies and gentlemen in the interest of time we will be able to take the last two questions from the participants. Thank you, the next question is from the line of Joseph George from IIFL. Please go ahead.
- Joseph George:** Good morning and thank you for the opportunity. I have two questions, first is in relation to the NPAs in the system so if you recall in 2020 and maybe even parts of 2021 there was fear that because of NPS a lot of trucks are getting repossessed and they will come back into the system etc. Could you give us an update on where this particular issue stands are the excess inventory in terms of repossessed vehicles completely flushed out and as a result replacement demand etc should pick up strongly if you can give some update on that it will be great? Thank you.
- Gopal Mahadevan:** I think this is a very good question because in addition to the pressure that the axle load norms were creating because suddenly overnight you had 20% of truck capacity being available. We also saw that the vehicles had got reprocessed and they were getting back into the market. Fortunately, we believe what has happened from our own experience of the NBFCs is that they de-process vehicles most of these NBFCs are also not only taken a prudent hit they also disposed of the vehicles as quickly as possible because they also wanted to right-size their balance sheet. So, we believe that the significant impact on repossessed vehicle coming back into the market and naturally creating competition for primary demand is possibly over. This will continue as a cycle as long as vehicles are financed 95% or 90% from NBFCs repossession would happen but one thing is the level of repossession which was there in the past which was COVID induced is no longer their wheels are turning, there is a demand that is happened. What we are seeing happening in the industry is the deals which are happening more are of the larger fleet operators more than the first-hand buyer's first-time users. That is because some of the first-time buyer's first-time users are the guys who are most prone to, defaulting not the larger guys because they have their credit quality also to be maintained. Now as the market moves to a more demand coming from first-time buyers and first-time users you will see a little bit of the repo cycle happening but that is anyway happening in the traditional NBFC business. Believe that the assumption at the moment going by what is happening in the market is that the repossessed vehicle sale is predominantly over.

Joseph George: Understood Gopal, thank you the response. The second question that I had was in relation to margin, so when I look at Ashok Leyland's history with respect to EBITDA margin we have hit 11 -12% EBITDA margins in the previous peaks as far as the CV cycle go and i just wanted to understand how you all think about potential peak margins in this up cycle given that the prices of vehicles have gone up by about 20-25% in the last year and a half following BSVI do you think the percentage margin of 11-12%are still achievable or do all think of margins as EBITDA per vehicle, just wanted to understand the internal thought process there? Thank you.

Dheeraj Hinduja: Had it not been for the commodity price increases, we would have definitely seen coming back to the types of previous margins that we had and as Gopal mentioned a little earlier, we do feel that steel prices will begin to soften soon and once that happens there should not be any reason why we should not be able to keep a double digit EBITDA on a more regular basis. There are many irrespective of the external factors we are increasing prices, we are at the same time doing many cost reduction exercises internally both on the product front and in our overheads as well. So, the aspiration is definitely to ensure that we are able to maintain that double-digit EBITDA.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematics. Please go ahead

Ronak Sarda: Thanks for the opportunity. First question is on how the inventory in the system as it suggests the inventory is pretty low around 10- 15 days and given a very robust demand recovery do we see discounts or the net price improvement more than offsetting the entire gross margin pressure given discounts at peak have been nearly 15 – 20% of sales. So, how do you see the entire net pricing movement in the next few quarters?

Gopal Mahadevan: As far as the inventory in the system is concerned I do not think there is any back pressure at all, this back pressure was there last year where we had shared with investors quite candidly that we would actually be going a little slow on wholesale last year because there is so much of inventory in the system because unfortunately there was a COVID and the system just shut down right and the dealers were left saddled with a lot of inventory and we do not push wholesale beyond the point you and we keep watching retail wholesale, retail dealer wise, geography wise, so that is the best and the most credible way of growing share of business. Now I do not think there is any major inventory issues that dealers are facing in fact you know there is demand that sometimes we are not able to cater.

Ronak Sarda: Your response to the discount levels and price recovery please?

Gopal Mahadevan: As far as pricing is concerned the discount levels have at slightly elevated levels even now. The retention of the price increases at least at Leyland has-been very good. So,

typically we have raised prices say by, this is an approximate number but say if we raise prices by about 2% we are able to retain say about 1.6 to 1.7 net. Similarly, if it is about 2.5% we are able to do about 2.1 which is good you can never retain the entire 100% pricing even in good markets, this is one part. As we move forward I think we may need to raise prices but as Chairman had mentioned we also want to ensure that we are growing our market share methodically and steadily. So, this is going to be a good balance between what our sourcing team is able to do with vendors, what our product design team is able to do on the product cost, what our front-end marketing team is able to do both on market share and pricing and hopefully the synchronicity of all of this will result in better margins as we move forward.

Dheeraj Hinduja: Just to add up what Gopal said, production from our internal perspective is not really much of it and we should be able to ramp up numbers at the market front. The only constraint seems to be on the semiconductor chip and as we understand in the next few months this should also start easing and we will always take a very measured balance between these commodity price increases and the availability of the chips as well but specifically as you said inventory might be on the lower side but we do not see an issue in terms of ramping up.

Ronak Sarda: Got it. And Dheeraj a question on the electric vehicle business so, how do we see I mean you mentioned experience on the India side but if you share some experience on feeding the global markets for buses, for light vehicles, SCV versus LCVs, if you can share some experience on the global markets as well.

Dheeraj Hinduja: Generally, I think as you have seen the governments overall are looking at substantial growth everywhere and making sure that they agree to the COP 26 commitments that they have made but if you look at the electric bus business specifically leaving aside China the current sales volume is around 1.4 billion based on the studies we have done with Mckinsey and other consultants and this is expected to grow to about Rs. 16 billion and when you look at electric light vehicles currently they are at around Rs.4billion and this is likely to grow by 14 times to 55 billion. So, the growth rate and the potential in these segments are very strong and this is equally distributed as that China specifically because the Chinese market has been ahead of the product in electric for many years but all the other markets from the US, Europe and also in many of the Middle Eastern markets we are seeing that they are now wanting to move into electric buses as well. So, all in all I would say quite a robust scenario going forward for electric vehicles.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you!

Ashok Leyland Limited
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Dheeraj Hinduja: Thank you very much for your questions and I hope we have been able to provide more clarity for you. I would just close by saying that we have shown in Q4 a strong turnaround and the year ahead looks to continue in this similar manner and we at Ashok Leyland will continue this growth as you have experienced in Q4 but in a very profitable manner. We will not be buying market share, we want to continue this market share growth and continue to grow our margins as well. So, thank you once again

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services that concludes today's call. Thank you all for joining us and you may now disconnect your lines.