ASHOK LEYLAND
Koi Manzil Door Nahin

August 21, 2026

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

SCRIP CODE: ASHOKLEY

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

SCRIP CODE: 500477

Dear Sir/Madam,

Sub: Concall Transcription

Pursuant to Regulations 30 and 46(2) (oa) (ii) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith the transcript of the Company's Analyst Call/ Earning's call held on August 14, 2026 to discuss the unaudited financial results for the quarter ended June 30, 2026.

Meeting start time - 5.15 p.m. IST
End time – 06.15 p.m. IST

We request you to take the above on record.

Thanking you,

Yours faithfully,
for ASHOK LEYLAND LIMITED

NATARAJAN RAMANATHAN

Digitally signed by NATARAJAN RAMANATHAN
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Date: 2026.08.21 10:28:43 +05'30'

N Ramanathan
Company Secretary

Encl.: a/a

"Ashok Leyland Limited

Q1 FY27 Earnings Conference Call"

August 14, 2026

MANAGEMENT: **MR. SHENU AGARWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ASHOK LEYLAND LIMITED**
MR. K.M. BALAJI – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – ASHOK LEYLAND LIMITED

MODERATOR: **MR. JOSEPH GEORGE – IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Ashok Leyland Q1 FY27 Earnings Conference Call.

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 presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Joseph George from IIFL Capital. Thank you, and over to you.

Joseph George: Thank you, Ananya. Good evening, everyone. On behalf of IIFL Capital, I welcome you all to the 1Q FY27 Results Conference Call of Ashok Leyland. I also welcome the senior management of Ashok Leyland; Mr. Shenu Agarwal, Managing Director and CEO; Mr. K.M. Balaji, Whole-Time Director and CFO; and the Investor Relations team.

Now I hand over the call to Mr. Shenu Agarwal. Over to you, sir.

Shenu Agarwal: Good evening, everyone, and thank you for your trust in Ashok Leyland, as always. As we all have witnessed, Q1 this year was marked by various geopolitical uncertainties, translating into widespread challenges for the Indian automotive industry. The sequence of events that unfolded had put on test industry's execution capabilities and supply chain resilience and also raised questions on the impact on customer sentiment and market demand.

Ashok Leyland has been able to weather these volatilities well, and I'm happy to report yet another quarter of strong financial performance for the company. For Q1 FY27, we achieved all-time high CV volume, revenue, profit and cash surplus.

Continuing from FY26 historic records, we delivered broad-based growth across all our core businesses, demonstrating the resilience of our operations and the trust our supply chain partners and customers place in us. Q1 started with moderate CV industry volume growth due to fuel supply and pricing issues. However, it bounced back strongly in June once the situation stabilized.

Overall, in Q1, the domestic MHCV industry volume grew by 13% on Y-o-Y basis, while the domestic LCV VAHAN industry grew by 17%. This is indeed a strong performance, especially given the headwinds faced during the period. This robust momentum demonstrates strong industry fundamentals and sustained growth potential of the Indian CV industry.

Ashok Leyland domestic MHCV truck volume for the quarter was at 22,998 units, higher 15% Y-o-Y basis. Our bus volume declined in the same period, mainly in the STU segment as the company decided not to take some unprofitable orders. In the medium-sized bus segment, which is about two thirds of the total bus industry and is one of the company's focus areas for growth, we did better than the industry and increased our share. Overall, Ashok Leyland domestic MHCV market share stood at 29% for the period.

Ashok Leyland domestic LCV offtake volume for quarter 1 was 18,874 units, higher 21% Y-o-Y. This is the highest ever Q1 volume recorded in LCV business. LCV VAHAN market share for Q1 was 13.2% with a gain of 30 basis points Y-o-Y. Our exports volume for the quarter was 2,461, lower 18% Y-o-Y. The war situation posed major logistical challenges in our RAK-based plant in UAE, impacting our GCC volumes.

SAARC and Africa volumes, however, grew substantially, negating the impact to some extent. With improving situation, we are confident of reviving the GCC volumes and make up for the losses in the remaining year. Our foray into ASEAN in establishing it as our fourth home market outside India is progressing quite well. Our overall CV volumes at 48,673 units, the new peak for quarter 1. This includes defense vehicles.

Our non-CV businesses maintained their growth streak, remained untouched by the recent global headwinds. Domestic aftermarket revenue for the quarter was up 12.7% Y-o-Y. Revenue from Power Solutions business was higher by 51% Y-o-Y. Revenue from defense business was higher 64% Y-o-Y. Defense order book and tender win pipeline remains ever strong.

Coming to financial performance, Ashok Leyland achieved a record quarter 1 revenue at INR9,634 crores, higher by 10% Y-o-Y. Despite record revenues, the EBITDA was flat at INR970 crores as compared to same quarter last year. EBITDA margin was 10.1%, 100 basis points lower on Y-o-Y basis.

We witnessed rising trends in the material costs owing to supply chain disruptions and commodity pressures. The company took several initiatives to address the situation, including better price realization, rigorous cost-saving efforts, product and business mix improvement and opportunity based inventory buildup.

These initiatives helped us in mitigating any significant gross margin contraction. As a percentage of revenue, the material cost stood at 71.5% for the quarter, higher by 90 basis points Y-o-Y, but in line with Q4. PBT for the quarter was at INR830 crores, higher 4% Y-o-Y. Profit after tax was at INR609 crores, higher 3% Y-o-Y.

Capex for the quarter was at INR153 crores. New products, including future technology development, alternate powertrain technologies and EVs remain the focus areas for the new capex. Investments in subsidiaries in Q1 was at INR10 crores. Our cash position, net of debt, has got stronger on Y-o-Y basis. We had net cash of INR2,252 crores at the end of the year, an increase of more than INR1,431 crores on a Y-o-Y basis. While in the short run, we are taking aggressive measures to mitigate the impact of rising material costs, our long-term focus remains intact.

We are resolutely pursuing the path of premiumization, working diligently on delighting our customers with superior products and services and maintaining operational discipline. In terms of new products, the highlight of the quarter was introduction of new air suspension technology in multi-axle trucks, which is an industry first and provides our customers industry best payload and TCO. This adds to our long list of innovations, which have always defined Ashok Leyland brand and its DNA for the last 78 years.

We are also seeing very strong customer reception of our other recently launched range of trucks, the HIPPO tractors and the TAURUS tippers with industry best power and torque. Our new product pipeline remains strong with many more launches slated for the rest of the year.

Creating a new industry benchmark in service delivery remains our key focus. Our flagship program, Throw, is continuing to make progress with all our service processes now becoming automated and intelligent with deployment of AI and other digital tools. We continue to add more touch points. During the quarter, we added 33 touch points in our MHCV and LCV businesses. The focus of new additions continues in North and East region, where we have a higher headroom. At the end of the quarter, Ashok Leyland network has a total of 2,137 touch points, 1,177 for MHCV and 960 for LCV.

Our EV subsidiary, Switch Mobility India, recently bagged an order of 650 electric buses. With this, Switch Mobility has a healthy order book of 2,100 e-buses. During the quarter, Switch Mobility delivered 225 electric buses and close to 300 electric light commercial vehicles. OHM Mobility, our E-MaaS subsidiary, improved operational fleet to over 1,900 e-buses with over 500 units added during the quarter.

OHM is progressing well towards its PAT breakeven target, which we hope to achieve in the near future.

Hinduja Leyland Finance, our vehicle financing subsidiary, delivered robust growth in the quarter with its AUM expanding by 20% year-on-year to INR60,310 crores. Pre-provisioning operating profit increased by 56% to INR587 crores from INR376 crores in June '25, while PAT grew by 37% to INR123 crores from INR89 crores last year. Hinduja Housing Finance similarly saw its AUM grew by 13% Y-o-Y to INR16,157 crores. Total gross income of INR470 crores, pre-provisioning operating profit of INR136 crores and a PAT of INR69 crores. PAT was at the same level as last year. Both HLF and HHF maintained healthy asset quality with consolidated net NPAs at 2.1% on book basis. Delivering solid profitability alongside prudent risk management augurs well for future growth of both the financial companies.

Reverse merger of HLF with NDL Ventures is progressing as per plan. NDL Ventures Limited and Hinduja Leyland Finance Limited have received the requisite approvals from their equity shareholders and unsecured creditors. The entities will now approach the NCLT for the requisite approvals and, upon receipt, will proceed with the merger and the listing processes.

ESG commitments remain close to our heart. Our Road to School and Road to Livelihood programs continue to grow, extending their reach to about 6.4 lakh students now. In our commitment towards RE100, we achieved 77% RE status with Tamil Nadu plants now at 91%. In summary, Q1 performance corroborates to our commitment to sustainable and profitable growth. Our business and financial results clearly demonstrate that our processes and management systems are robust and resilient enough to absorb any external shocks, enabling us to maintain focus on future value creation.

In the recently concluded Monetary Policy Committee meeting, RBI, while maintaining a neutral stance and retaining key interest rates, has revised GDP growth outlook for the year to 6.7%. This indicates that macros are getting favorable.

Looking forward, we believe that the overall demand drivers for commercial vehicles remain positive. We remain mindful of the key risks, particularly the elevated commodity prices, but shall continue to put all efforts to achieve better price realization and mix, higher cost savings and enhanced operational discipline. Our foundations remain strong. We will keep innovating attuned to our customers' needs while maintaining focus on prudent fiscal management. We will navigate the road ahead with even more rigor and heightened focus on creating long-term value for our stakeholders.

Thank you once again for your continued trust in Ashok Leyland. Can I now hand it over to the moderator?

Moderator: Thank you very much. We will now begin with the question-and-answer session The first question is from the line of Gunjan Prithyani from Bank of America.

Gunjan Prithyani: My first question is just to get a little bit better color on the margin delivery for this quarter. I mean, it's a commendable gross margin delivery. Just trying to get some more information on what was the sort of gross RM headwind that we saw in this quarter? How are we able to offset this through price hikes? Some color on price hikes taken.

And maybe also some sense on how do we think about the next quarter. Like you pointed out, there are more elevated cost headwinds, right? So, what is the sort of pending RM impact yet to reflect in quarter 2?

K.M. Balaji Yes. Thank you. Thanks for your question, Gunjan. Actually, there was increase in the commodity prices in this quarter. But one good thing that has happened in this quarter is that we could consume most of the item from our opening inventory. We had maintained considerable inventory, both in terms of production inventory as well as finished inventory as opening stock, so we could use about one fifth to one fourth of the total requirements in this quarter from the opening.

What this has done is that this has prevented us from charging the full commodity cost increases that has happened during this quarter. Only around four fifths of the total costs that have been incurred during the quarter has got into the P&L in the sense that the remaining value of the increases have got added to the current stock. When these vehicles get sold subsequently from the inventory, we'll get the charge. And the charge will also flow as and when the production from the current year gets sold more and more, when it gets sold in the subsequent quarters. So this has really helped us in reducing the cost. The benefit of that is what you are seeing by way of better gross margin and the lower material cost.

In addition to this material cost increases, the overheads also will have to be added for the cost of stock. For us, we carried about 6,500 vehicles at the opening level. And again, this 6,500 level of stock at the opening level, it got increased to about 8,500 level as at the quarter end. So this also helped us because many of the overheads that have been incurred during the quarter have also been added to the increased inventory. So we got a good benefit from the inventorization, which has got added to the cost of stock and not to the P&L. And these costs will find its way to the P&L as and when the vehicles get sold in the coming months.

Shenu Agarwal: Gunjan, just to add to that. So that was one. And the other was also we accelerated some of the cost savings. We have started a project a couple of quarters back, which we internally call Achieve 2K. And that project is now delivering some benefits, but it will deliver many more significant benefits in the upcoming quarters.

Then, also the focus was on improving the mix from the product side, also from the business side. We also took some pricing actions. So as a result of that, we could negate, I would say, most of the impact coming from the commodity side.

K.M. Balaji And in addition to that, Gunjan, we also took a price increase. Price increase during the quarter was about 1.2% - 1.25%. That also helped us in negating the commodity cost increases. In a way, I can say that the commodity cost increase got negated 50% by way of the price increases and another 50% by way of the benefit from the cost savings as well as the inventorization impact.

Gunjan Prithyani: And how do we think about next quarter then? Does it mean that we have -- because we were able to have inventory, which was at the lower cost, does it mean that Q2, we see a sharper hit? Like if -- this is a very useful color, but just trying to think how does Q2 look in context of incremental cost yet to hit the P&L and pricing action, cost reduction. Should we be able to neutralize the impact heading into quarter 2?

K.M. Balaji Yes. Actually, I was answering to Gunjan's question. Gunjan was asking whether the impact of inventorization will be felt in the subsequent quarters. The impact will be there in the subsequent quarters but will not be big. It depends on the quantum of the vehicles which are getting sold from current inventory, and it will not be very significant.

Shenu Agarwal: Yes. Just to add on to that - the challenges we see continuing the commodity price side. Respite from that we think will come in Q3 and Q4 only. So it will be a challenging quarter, but then we are accelerating a few things internally, looking again at those levers that I just described, product mix and business mix. Pricing, we have again taken some price increase from July. We are considering some more before the quarter is over. Also, we are looking at accelerating some cost savings.

Gunjan Prithyani: Got it. And my second question is on the investments bit. I mean, the switch bit is clear that there is a debt repayment -- the Optare bit, sorry. And what is the -- this Housing Finance is a bit which was -- which I -- it will be good to hear your rationale because I thought we are demerging the entity, the finance entity, and they were to be on their own in terms of funding the growth. So this incremental investment in the Housing Finance, if you can give some sense how to think about it?

K.M. Balaji Yes. I would like to clarify to everybody who are present in this call. On Optare, as you rightly said, I have been indicating this literally in every call. In Q4 FY25 call I indicated and again in Q4 FY26 call also I indicated. We had debt of about GBP 80 million. We paid about GBP 30 million last year. And now we have about GBP 50 million debt, which is there, and we don't want to incur interest cost. So, we are trying to pay another GBP 25 million by this year, and we will pay another GBP 25 million by next year. So that is the plan. I think I would want everybody to have clarity on this. This is not something new. I have spoken about this in the last 2 years and have been progressively repaying this loan.

The second aspect, which you said on the HHF, it is a growth capital which we are giving. The merger is in progress as far as HLF is concerned. And the capital structure of HLF cannot be disturbed at this point of time.

AUM of Housing Finance is growing at about 34% CAGR in the last 4 years. The growth trajectory has been quite good. And the net worth growth is about 24%. So, we thought that we will invest and the valuation also will be at arm's length as it is done by an independent valuer. So, we thought that we'll invest some money in the Housing Finance because we cannot also disturb by way of investment since the approval from the NCLT is at an advanced stage now.

Moderator: The next question is from the line of Binay Singh from Morgan Stanley.

Binay Singh: Just carrying on the earlier question, I -- just on your comment on future gross margins. Is it -- did you say Q2 is challenging? I mean, I couldn't sort of capture what were you trying to convey? Is the incremental gross margin hit manageable, or it comes in second half? Just to sort of be clear on that.

K.M. Balaji Binay, thanks for your question. You are asking about this inventorization bit, or you want to understand the overall margin outlook for Q2?

Binay Singh: Just overall, the gross margin outlook that is this -- would you be -- like, looking at the commodity pressure that you see today, do you think you'll be able to sustain this pressure, this margin level?

Shenu Agarwal: Yes. There would be a few things we have to keep in mind while looking at quarter 2 gross margin. One thing I clearly said that the commodity pricing would continue to pose a challenge, which means that the impact purely from the commodity side may be a little bit higher than what we faced in Q1, okay? And this situation will only improve, what is our current estimate, is from Q3 and largely from Q4, okay? But there should be some turnaround in the situation starting Q3.

So that is one. Now how much we can manage this is basically 2 or 3 factors. One is that our focus now has turned into more profitable segments, which is like higher horsepower segments. In my note, I described that TAURUS and HIPPO that we had launched are gaining a lot of momentum. And these are high horsepower, heavy-duty trucks where margin equation is better.

Also, we have just launched these air suspension trucks. We had lost some margin and market share in quarter 1 on the multi-axle trucks. But now with air suspension trucks, we hope that we will more than recover that, right? Also, we are trying to see, as in Q1, you have noticed that Power Solutions business, defense business, LCV business, their growth rates were much higher. So similarly, we are trying to see that how much orders from defense, PSB, etcetera, we can execute.

And like I said, we have already taken a small price increase from July 1, and we are looking or we are trying to get one more before the end of the quarter, right? So, I cannot like, at this time, tell you exactly what the situation would be on gross margin. But yes, you keep 2 things in mind that commodity costs will be even higher than Q1. But we have a few levers at our hand to work around that.

Binay Singh: That is helpful. My second question is on the truck mix. We talked about it earlier also that we've been seeing ICV growth has been higher than heavy truck growth. And we were expecting sort of some reversal in trends. So how do you see rest of the year truck mix to play out?

Shenu Agarwal: Yes. So far, ICV growth has been higher because earlier, like in the previous calls, we explained, after GST recalibration happened, the maximum impact or the early impact was supposed to be on vehicles which are mostly going into non-fleets into retail market because those buyers would see this impact immediately in terms of pricing.

For other buyers, like fleet owners or users of heavy-duty trucks, this will happen with a delay. So every quarter, we are now seeing that the situation is improving. I think in Q2, the situation should actually drastically improve, both at the industry level and more so at Ashok Leyland level.

Now since we have fully ramped up our HIPPO and TAURUS and now, we have the air suspension on the MAV side also, so you would see that. I mean, I'm saying industry level should also improve, but I'm saying we should be able to improve even more.

Binay Singh: And lastly, any just comments on domestic truck growth that you expect this year?

Shenu Agarwal: Domestic truck?

Binay Singh: Yes.

Shenu Agarwal: Sorry, what about domestic trucks?

Binay Singh: The volume growth outlook, the volume outlook.

Shenu Agarwal: Yes. I mean, quarter 1 has gone pretty well, and that was despite a bad May. I mean May growth was only, I think, 1% or 2% in MHCV, but June then bounced back very sharply. Like I said in my note, we have never seen this happening in the CV industry, because whenever there is an external factor which is affecting the sentiment, I mean, it takes a lot of time for the industry to recover from this. But here, in this case, as soon as the situation stabilized towards end of May, we saw that huge momentum coming back in June, and June industry grew by more than 20%.

And that momentum continued in July because July MHCV industry growth was also more than 20%. And August, the sentiment is looking also quite positive. So definitely, I mean, against a 13%, 14% growth in Q1, the growth should be much better in Q2.

Moderator: The next question is from the line of Pramod Kumar from UBS.

Pramod Kumar: My first question is a clarification on the commodity outlook what you gave that from 3Q, you see a bit of a softening. I just want to understand what is driving that visibility, sir? Because generally, what we understand is steel prices are elevated, natural rubber is hitting new highs, which are our 2 biggest cost items. So, I just want to understand what is your -- what the visibility you are having and what kind of inputs which is driving that assessment, sir.

Shenu Agarwal: Yes, Pramod. So basically, I mean, we rely on a lot of factors. We talk to the suppliers. We look at various credible reports, the SIAM report, CRISIL report, other reports. So based on that, we estimate is that quarter 2 will be the peak.

Quarter 3, there should be some softening. Of course, you are right about natural rubber, etcetera, right? But quarter 3, overall, I'm talking, there should be some level of softening. And then quarter 4, we should see some kind of a turnaround.

Pramod Kumar: Sure, sir, sure. And the question is on the price hike, can you quantify the price hike what we have taken so far in this quarter?

Shenu Agarwal: In July, we have taken on the MHCV side, we have taken more than 1% in July. And on LCV side, we have taken more than 2% in July. So as I said, we are trying to see, either through price increases or through discount optimization, we can improve price realization even beyond this.

Pramod Kumar: Okay. And finally, on the other cost -- Yes, Balaji, sir.

K.M. Balaji Cumulatively, you would have taken about 2.25% price increase for MHCV and more than 3.5% for light commercial vehicles from the beginning of this financial year.

Pramod Kumar: Beginning of this financial year. That's helpful. And on the other cost elements, Balaji, as in, on your employee cost, other expenditure, how should we see the trend going forward? Because that will be the additional which we need to watch out for when we talk about margins. And another follow-up to Shenu, sir, as in, would you -- given the current momentum in the first 4, 5 months, would you kind of say that the industry is on track to achieve double-digit growth, sir, on a full year basis?

K.M. Balaji On the cost side, actually, you will see a marginal increase in the manpower cost because our increment cycle, it starts from July of every year, every financial year, so you will see a marginal 4%, 5% increase in the manpower cost over the previous quarter.

As far as the rest of the costs are concerned, we would like to contain and then operate at the current levels or maybe we will target to operate at the lower levels because we have started many programs internally to monitor the cost, especially on the administration overhead side, we have created a centralized team to monitor to do the commercial negotiations and bring down the cost.

So, administration overhead cost, which was as well decentralized and was decided at the various parts of the country, any amount which is beyond INR50 lakhs, it gets referred to a centralized cell, which monitors and then reduces the cost by way of commercial negotiations. So you will see and you can expect a tighter control on the costs in the coming quarters also.

Shenu Agarwal: Yes. Pramod, on the industry outlook, we have a good visibility. I think we are very confident the industry will grow, will continue its current momentum until about, let us say, October. Beyond that, there was kind of a high base of last year that we will face, because the industry started growing by about 20%, 21% starting October, November last year. And therefore, I want to be a little bit conservative when I am estimating industry momentum beyond October.

But overall, I would say - Sorry about this interruption happening again and again because of some technical glitch. But Pramod, what I was telling you about the industry is that even if we take a conservative outlook for the second half of the year, let us say, October, November onwards, we still believe that the industry has potential to grow by high single digit. This is for MHCV. And for LCV, the LCV outlook is actually slightly better than this, yes. So that is what we are estimating now.

Moderator: The next question is from the line of Amit Hiranandani from PhillipCapital.

Amit Hiranandani: Sir, this LCVs market share since last 5, 6 years has been broadly stable and hovering around 11%. We understand that the competitive intensity is pretty tough. So, can you please highlight the company's plans and steps taken to improve the share here?

Shenu Agarwal: Yes, 2 things, Amit, that I want to say. Firstly, historically, since we launched LCV products about 10, 12, 13 years ago, we had only been talking about our market share in 2 to 3.5 tons because that is where we had products.

Now we changed this view about a year back when we had introduced this product called Saathi, which is actually in 2 to 3.5 tons, but is targeting the premium end of the sub-2-ton customers. And we said that, okay, let us not look at just 2 to 3.5 tons, but look at the entire LCV market. And that is how we shifted to VAHAN market share.

Now if you look at VAHAN market share, as far as I remember, I think each quarter of the last year and even in quarter 1, we have gained continuously quarter-on-quarter, right? So now the whole outlook of LCV has changed within Ashok Leyland. We don't want us to be restricted in our thinking to 2 to 3.5 tons. We want to come up with products across the LCV range because we know that we are participating only in 50% of the industry, and there is a huge headroom if we come up with additional products.

So, there are some products in pipeline, which, of course, I cannot reveal right now just because of confidentiality reasons. But there are some product pipeline, and the whole notion now at Ashok Leyland on the LCV market is to see what we can do in the entire market rather than restricting ourselves to half of the market.

Amit Hiranandani: Right. Sir, secondly, on the buses side, we have been observing...

Moderator: Sorry to interrupt. Mr. Amit, could you please get in the queue for any follow-up questions? The next question is from the line of Raghunandhan N. L. from Nuvama Asset Management.

Raghunandhan N. L.: Sir, there has been a very strong growth from June, and the recovery has continued to July and, as you said, to August. What are the drivers here? Is it better freight availability, infrastructure spending, replacement demand? And how is the demand from large, medium, small operators?

Shenu Agarwal: Yes, Raghu, thank you for the question. So you are right. I mean we were ourselves a little bit surprised when there was such a huge turnaround from May to June, I mean, bounce back, I would say. As you know, April was roughly 12%, 13% industry growth on MHCV, then May was 1% or 2%, and June was about 20%. And then it continued in July, and I'm hoping it will continue in August as well.

But the triggers or the drivers are very clear now. We have always been saying that the CV industry is sitting on a huge potential because -- largely because of the replacement demand that can generate, the aging of the fleet and all those things we spoke about. And I think it was just waiting for a trigger, which happened with GST 2.0 or GST optimization.

And since then, we have really seen very high growth numbers, which is a clear indication that the TCO or the economics of buying a BS6 truck versus operating a BS3 or BS4 is now really getting -- has really gotten much stronger, right? So that trigger, I think, was needed, and that trigger has happened.

So it should continue actually for many more quarters to come because it will take a few years to actually bring down -- or to, let us say, to take out all the BS2, BS3, BS4 trucks out of the equation.

Now that is the primary reason of this significant growth. But yes, other factors are also helping, the interest rate, the availability of finance, the uptick in the infrastructure segment, etcetera. So everything is like contributing to this.

Raghunandhan N. L.: On the replacement demand side, trying to get a little more thought. Fleet age being high at 10 years is one of the drivers of replacement demand. How much should be the ideal average fleet age based on...

Moderator: Sorry to interrupt. Could you please get back in the queue for any follow-up questions? The next question is from the line of Harshit Mittal from JPMorgan. We will move on the next participant.

Next question is from the line of Kapil Singh from Nomura Wealth Management.

Kapil Singh: This is Kapil from Nomura. If you could just talk about the export outlook and also share the capex and investment outlook for the full year FY27.

Shenu Agarwal: Yes, Kapil, thank you for those questions. So, exports, like I described in my opening statement, we had a tough time in quarter 1, but we believe that it is already behind us now. Basically, what happened was that we have a facility in RAK, Ras Al Khaimah, in UAE, where we assemble all our products for the GCC markets. And that facility had to almost stop working in April and some parts of May. And we had both the kinds of problems, the labor problem and also the material problem, basically local components that we procure from countries around.

So, we had to pretty much kind of shut down the operations. And then, since then, since the situation has stabilized now, so now the factory is now -- last month, we did 600 units there. This month, we are expecting to do 700. And next month, we will come to our peak production of 800. The factory has a capacity of only 600, but we were running it at 800 with some temporary arrangements. So we are hoping to get it back to 800.

Fortunately, we have not lost any retails there in the GCC segment. So it's basically a reduction of wholesale and reduction of stocks at every point, which is reflecting in our Q1 degrowth in exports. Fortunately, again, that SAARC and Africa, we could really pull up. Now if you look at our growth rates in those regions, it's like really quite high. It's actually in the range of 40% to 60% growth year-on-year.

So GCC, like I said, seems to be something that we can recover the wholesale losses because there have been not any significant losses on the retail side. So as soon as the plant is up and coming, we will start pumping those units back into dealer stock. Also, we are now expediting our new plant in Saudi. So originally, the plan was to have it up and running in about 18 to 24 months. So we are trying to see how much we can accelerate that, because the demand momentum in GCC is still very strong despite all the volatilities we have seen. And the other question, I think, was on the capex and investments. So I mean, we have increased our capex investment outlay in last couple of years. We were generally doing about INR400 crores, INR500 crores. And in last 2 years, we are in the range of INR900 crores to 1,000 crores.

And as company has more cash available to invest in its future growth, we would be looking at various new technologies, new products, white spaces where we are not there. So actually, from a capex point of view, this is a good time for us, because as we can think of those differentiated products and white spaces that we want to cover in the future, then that will actually help us lay down a good growth path for the company in the next 5 years or so.

So yes, capex will continue to increase over the next 2 to 3 years. We can give you some more specific numbers once we have the whole plan ready.

Moderator: The next question is from the line of Chandramouli Muthiah from Goldman Sachs India.

Chandramouli Muthiah: My question is on the regulatory outlook for the CV industry over the next 1 to 2 years. So it looks like from next year onwards, there might be mandatory mechanized load covers, audio/visual alerts, advanced braking norms. So just want to understand what the potential increase in price might have to be if these were all to come through? And just related to that, if you could give us some color on how the negotiations are going between the government and the industry body on possible BS7 at some point over the next 2 or 3 years?

Shenu Agarwal: Yes, Chandramouli, thank you for that question. You know that regulatory burden on the CV industry has been very high compared to other auto industries. So, I mean, we are very used to this. And the whole idea is to see how we can meet the, how we can comply with the regulations, but also create some value for the customer. So that is the whole challenge.

Now it may happen with a slight lag, etcetera. But I think most of the companies, including our peers, will try to create that value for the customer, which means that there has to be a positive TCO impact even if the prices go up. And I think Indian consumer of CVs, especially the fleet owners, have also now changed quite a bit in the last 5 years or so.

So, they are actually increasingly looking at value rather than only price, because if they get a TCO benefit even by paying a little bit more, we see that they lap on to it. We saw this recently when AC was mandated.

And I mean, everybody had a different view in this industry. But as soon as AC was mandated, people just lapped on to it. I told you, I think, in the last call that we had created a stock of non-AC trucks, that we thought that a lot of customers would ask for it because they don't want to go for AC and the associated price increase of INR30,000 to INR50,000, right? But to our surprise, we had really difficulty in liquidating that non-AC stock later.

So I think the market is changing. The challenge, of course, remains of the regulatory related cost increases, but the idea is how we can make it relevant for the customer by impacting the TCO positively. So we are working on those issues. Now on BS7, of course, the final notification is yet to come. It will take some more time, but discussions are going on.

And my personal opinion is BS7, we should not see in India in CV before 2031, and it could also be 2032.

Moderator: The next question is from the line of Yash Agarwal from Nirmal Bang Securities.

Yash Agarwal: As we have seen that we have made significant progress in diversifying from our core truck business through defense, Power Solution, aftermarket, EVs. So, I just wanted to understand like what -- how we see mix evolving in the next 3 to 5 years...

Moderator: Ladies and gentlemen -- sorry to interrupt. Ladies and gentlemen, the line for the management has dropped again. Please wait while we reconnect.

Yash Agarwal: I just wanted to like get an update on like as Ashok Leyland has made significant progress in diversifying beyond its core truck business through defense, Power Solution, aftermarket and EVs. So where do you see this mix evolving over next 3 to 5 years? And how is the margin profile for these businesses versus truck business?

Shenu Agarwal: Very good question, actually, I say good because that is one of our key focus areas, key strategies at Ashok Leyland, that how we can -- without losing focus on our core for sure, how we can enhance our other businesses because those businesses offer better margin opportunity.

Also, they have a huge headroom available, for example, defense, we can do a lot there. So there has been a plan which has been put together on each of these: aftermarket, EVs, IO, defense, Power Solutions. And these plans are very, very aggressive. But the first milestone that we want to achieve is to make sure that we have enough non-MHCV domestic business, which can take care of the complete fixed cost of the company.

And you know that we have made huge improvement there. If you look at 3 or 4 years ago, we had to sell about 6,000 to 7,000 units per month of MHCV trucks in domestic market to take care of the fixed cost of the company. Now of course, we have reduced the fixed cost as a percentage, but also the fact is we have grown the non-MHCV domestic business.

And now that breakeven point, measured as the number of units of MHCV trucks we have to sell domestically to take care of the fixed cost, has come down to, I believe, something around 1,000 to 1,500 units, right? So we have made a lot of progress with this diversification.

And importantly, this milestone is important because some of us believe that MHCV industry, domestic industry is like cyclical in nature. And therefore, we want to reduce that dependency on it, right? So even if it goes down, then we don't get hit as a company, and we can still pursue our long-term value creation. So yes, I mean, that is the first milestone. But of course, we want to do much more than this on the non-MHCV businesses.

K.M. Balaji What Shenu indicated, 1,000 to 1,500 units is on a per month basis.

Yash Agarwal: Okay.

Shenu Agarwal: Yes.

Yash Agarwal: And one thing you mentioned in the starting of the call that you added 33 touch points during Q1. Like, in previous calls, you have mentioned on focusing on increasing touch points in non-South region. So how has our share evolved in non-South versus South in the last few years?

Shenu Agarwal: We have done very good progress. I mean, I would say in some of the zones, like North, we have done good progress. If you look at our North market share, I don't remember the exact time, but probably 4 years ago or 5 years ago, then North, we were at 15% or so, just giving you ballpark numbers. And now we are -- I mean, we should be touching 30% any time. We are already at 27% or so in North, right?

And similarly, we have made progress in Central. East is something we had made quite a bit of progress, but then we had some new issues that popped up. But East, we need to do a little bit more work now going forward. But the formula for North, Center and East is quite clear in our mind now.

Moderator: The next question is from the line of Mukesh Saraf from Avendus Spark.

Mukesh Saraf: My question is on the competitive intensity in the MAV segment. We noticed competition launching certain products with higher payload and then Ashok Leyland further launching products with air suspension, which enhances payload even further.

So, the question here is, is there a heightened competitive intensity right now in the MAV segment? Is this a precursor to probably some discounting? Or you don't think that's the case, and this is just regular kind of product updates?

Shenu Agarwal: Yes. Thank you, Mukesh. Very good question actually because it just kind of is in line with our theory at Ashok Leyland of premiumization. So just looking at what was launched in the market 3 months or 4 months ago, in confidence, I can tell you that we had looked at this kind of a product about 3 years ago, and we decided not to launch it, right, because we were not convinced with the way it was designed or it ought to be designed.

And therefore, at that time, when we put this idea on hold, we said, okay, what is a better engineering way to give the same thing to the customer or even better thing to the customer, but is designed in a proper way. So that's when we had started this air suspension project.

So, this is not like a quick reaction response from our side. This project was started about 2.5, 3 years ago. And now fortunately, when this launch happened, we were quite ready with this new product. And you can see the difference. I mean, if you understand a little bit about this, like what got launched and what is what we have launched, then there is significantly different, better engineered solution.

And the payload also is twice, like we are offering 4-ton extra payload as against 2-ton. So, I mean, this is what actually we want to do in our company. We want to give the right solution, which really improves customer TCO. And air suspension is a brilliant example of that.

I mean, it's not that air suspension cannot be done by others. I think in 6 months or 12 months, somebody else will also bring it, right? But the fact is this is the first time in India. This fact is customers are loving this option. And the fact is that if we continue to keep our innovation pipeline robust, then we might come up with some more innovations in the next few quarters.

Moderator: The next question is from the line of Himanshu Singh from Baroda BNP Paribas Mutual Funds.

Himanshu Singh: Sir, just wanted to understand like was there any issues on production for the buses side? And has that been resolved?

Shenu Agarwal: No, there was no issue on the production side. So, if you look at the bus market, I mean, I'm just simplifying it for right now, the bus market is in 2 parts. One is the bigger buses or, let's say, heavy-duty buses, which is one third of the market. And then there are medium-sized buses, which is two third of the market. Historically, if you see in the heavy-duty buses, we had a market share always of 60% to 80%, right?

But on the smaller buses, we had a market share of only 15% or so, until a few years back. So, 2 things we were very clear in mind that we wanted to increase our market share in the two third of this bus industry, which is a medium-sized vehicles, which is for school and staff.

And also, we want to make sure that we are not losing money on the heavy-duty side, because heavy-duty side is also tender business, right? So now we are very clear how we want to approach this bus business. On the heavy-duty side, if there is an unprofitable tender, we are very clear we will not take it, even if we lose a little bit of market share temporarily.

But in the two third of the industry, which is private, which is not tender, which is mostly school and staff, that is where we are focusing with a lot of new products, a lot of new improvements. I'm very happy to say that our market share in last 3, 4 years have gone from 15% to close to 25% now in that medium bus segment.

So, I think directionally, we are on the right track. But yes, quarter 1, we had to face a loss of market share because we decided not to participate in some unprofitable tenders on the heavy-duty bus side.

Moderator: Thank you. That was the last question for today. I now hand over to the management for closing remarks. Over to you.

Shenu Agarwal: I would just like to say thank you to everyone who participated today in the call. As I said, we are -- I mean, we have a dichotomy of a situation right now. While on the top line side, on the industry side, we know that the industry's momentum is very, very strong, and we would like to capture that for Ashok Leyland as much as we can.

On the other side, we have a situation on raw material commodity prices, which I do believe is temporary and it should subside in the next few quarters. But in the meanwhile, we will keep our long-term focus.

We will not let it dilute because of the commodity pressure. But at the same time, we will keep a very heightened operational discipline, whether it is in terms of cost or is in terms of any savings or mix improvement, pricing, etcetera. So, we hope to see you again at end of quarter 2. Thank you.

K.M. Balaji Thank you.

Moderator: On behalf of IIFL Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines