

June 4, 2026

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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, as amended, we attach herewith the transcript of the Company's Analyst Call held on May 28, 2026 to discuss the audited financial results for the quarter and year ended March 31, 2026.

- **Meeting start time - 4.00 p.m. IST**
- **End time – 5.00 p.m. IST**

We request you to take the above on record.

Thanking you,

Yours faithfully,
for ASHOK LEYLAND LIMITED

N Ramanathan
Company Secretary

Encl.: a/a



“Ashok Leyland Limited
Q4 FY '26 Earnings Conference Call”
May 28, 2026



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

MODERATOR: **MR. MUKESH SARAF – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day, and welcome to Ashok Leyland's Q4 FY '26 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukesh Saraf. Thank you, and over to you, sir.

Mukesh Saraf: Thank you. Good evening, everyone. Mukesh Saraf here from Avendus Spark. Appreciate everybody logging in this 4Q FY '26 Earnings Call of Ashok Leyland Limited. From the management team, I'm pleased to host Mr. Shenu Agarwal, Managing Director and CEO; Mr. K.M. Balaji, President Finance and CFO; along with the Investor Relations team. I now hand over the call to Mr. Agarwal for his opening remarks, post which we'll begin the Q&A. Over to you, sir.

Shenu Agarwal: Good afternoon, everyone, and thank you for your trust in Ashok Leyland, as always. I am pleased to report that FY '26 has been a truly milestone year for our company. We achieved all-time high CV volume, revenue, profit and cash surplus, marking the best annual performance in Ashok Leyland's history. Building on FY '25 record results, we have delivered another year of broad-based growth across all our core businesses, demonstrating the resilience of our operations and the trust that our customers place in us. Basis standout performance of FY '26, the Board of Directors have recommended a second interim dividend of INR2.50 per share.

Q4 FY '26 provided a strong finish to the year with a solid performance that reflects the strength of demand in the CV industry and our disciplined execution. Domestic vehicles volume growth led by GST 2.0 rate rationalization gained further momentum during the quarter. Q4 domestic MHCV industry volume was higher 21.5% Y-o-Y. And for full year, it was higher 12% Y-o-Y. Ashok Leyland domestic MHCV volume grew in line with industry with market share of a healthy 30.8% for the year.

Ashok Leyland domestic MHCV trucks volume for FY '26 was 105,905 units with market share of 30.2% and MHCV bus volume was 20,840 units with a market share of 34.1%. Ashok Leyland continued its leadership position in MHCV buses.

Ashok Leyland domestic LCV volume for Q4 was at 21,801 units, higher 23% Y-o-Y, growth better than that of industry. LCV VAHAN market share for Q4 was 12.8% with a gain of 90 basis points on Y-o-Y basis. For full year, LCV volume was 74,322 units, higher 12% Y-o-Y and full year LCV VAHAN market share stood at 12.7%, higher 80 basis points Y-o-Y. This is the highest ever annual volume recorded in LCV. Our export volumes for full year reached a historic high of 18,082 units, delivering a robust growth of 18.5% over the previous year's 15,255 units. For the quarter, volume at units, 5,322 units was marginally lower Y-o-Y, primarily due to international logistics issues faced in March.

Overall, CV volumes scaled a new all-time high of 220,437 units, surpassing the previous peak of 197,366 units achieved in FY '19. This includes defense vehicles. Our non-CV businesses also demonstrated remarkable growth Domestic aftermarket revenue for the quarter was up 11.2% Y-o-Y and higher 9.5% for the full year. FY '26 revenue from Power Solutions business

was higher by 16.4% Y-o-Y. Revenues from defense business, including revenue from our defense subsidiary, ALDS was higher 20% Y-o-Y. Defense order book and tender win pipeline remains ever strong. Coming to financial performance, Ashok Leyland achieved all-time high quarter 4 revenue, EBITDA and operating PBT.

Revenue for Q4 was at INR14,161 crores, higher by 19% Y-o-Y. EBITDA was at INR2,066 crores, higher by 15.3% Y-o-Y. FY '26 revenue was at INR44,007 crores, higher by 13.6%. EBITDA for the quarter was at INR2,066 crores and EBITDA margin was at 14.6%. With full year EBITDA margin at 13%, we have now truly entered the teen bracket. This is an improvement of 30 basis points from last year. Q4 PBT before exceptional items was at INR1,909 crores, higher 14% Y-o-Y. PAT, excluding exceptional items, was at INR1,405 crores, higher 13% Y-o-Y. Full year PBT before exceptional items was INR5,163 crores, higher 22% Y-o-Y and PAT, excluding exceptional items, I repeat, excluding exceptional items, was at INR3,914 crores. May note that during Q3 of FY '26 on account of the new labor code, there was a onetime charge of INR308 crores.

Material cost as a percentage of revenue for Q4 was 71.4%, higher by 80 basis points on Y-o-Y basis. For full year, the ratio was at 71.4% again, 10 basis points higher than last year. Despite commodity headwinds, we could maintain and even improve our gross margins. This was made possible through better price realizations, rigorous cost-saving efforts and continued focus on improving product and business mix.

Capex for the quarter was at INR203 crores and cumulatively at INR1,050 crores for the year. Most of the capital expenditure has been deployed towards new products, including future technology development, alternate powertrain technologies and electric vehicles. Investments in subsidiaries in Q4 was INR371 crores, primarily towards repayment of loans in the off-tier books. Investments for full year was at INR387 crores. Our cash position net of debt has got even stronger.

We had net cash of INR5,899 crores at the end of the year, an increase of more than INR1,650 crores Y-o-Y.

We are resolutely pursuing the path of premiumization, working diligently on delighting our customers with superior products and services and maintaining operational discipline. The highlight of the year was our launch of HIPPO tractors and TAURUS tippers with industry's best power and torque delivering best-in-class TCO. In MAV category, we launched new trucks with improved powertrain of 280 HV. In LCV segment, we launched new 4.1 tone Bada Dost with industry best payload. We also launched our most advanced LCV product, Phoenix for the export markets.

Our product pipeline remains strong with substantial portion of our capex being allocated in creating new product capabilities. For strengthening our service delivery, we added more than 100 touch points each in our MHCV and LCV businesses.

More than 45% of our touch point additions have been in the North and the Northeast regions. At the end of FY '26, Ashok Leyland network has a total of 2,104 touch points, 1,159 for MHCV

and 945 for LCV. In international markets, we expanded our network to 4 new countries in the previous year. A particularly noteworthy achievement in FY '26 was our progress in electric mobility and alternative propulsion vehicles, areas that are critical to our future growth. During Q4 FY '26, we announced groundbreaking for a greenfield battery pack manufacturing facility at Pillaipakkam near Chennai, intended to support our electric mobility programs.

Our EV subsidiary, Switch Mobility India delivered a standout performance, attaining net profitability in FY '26, a major milestone in our electrification journey. During the year, Switch India achieved market leadership position in electric buses as well as in 2 to 4 ton electric LCV market. Switch significantly scaled up deliveries of electric buses and light vehicles during the year with 1,530 buses, higher 238% Y-o-Y and 1,600 electric LCVs, higher 56% Y-o-Y.

Order book at the end of the year for Switch India stood at 1,600 units. OHM Mobility, our E-MaaS subsidiary, improved operational fleet to over 1,400 e-buses now. Hinduja Leyland Finance, our vehicle financing subsidiary delivered robust growth in FY '26 with its AUM expanding by 24 years year-on-year to approximately INR59,000 crores.

HLF's strong performance not only contributed to our consolidated results, but also enabled vehicle sales through continued financing support to our customers. HLF's PAT at INR491 crores was higher 20% Y-o-Y. Hinduja Housing Finance, or HHF, similarly saw its AUM grow by 15% Y-o-Y to approximately INR16,000 crores on back of steady demand. HHF PAT at INR387 crores was higher 4% Y-o-Y. Both HLF and HHF maintained healthy asset quality with consolidated net NPAs at 1.4% approximately, delivering solid profitability alongside prudent risk management augurs well for the future growth of both the financial companies. Reverse merger of HLF with NBL Ventures is progressing as per plan and should get consummated within this or the next quarter.

We remain focused on our ESG commitments. Our Road to School and Road to Livelihood program continues to grow, extending their reach to about 6.3 lakh students now. Our Dow Jones Sustainability Index ESG score has improved significantly, and we are now in global top 2% of the industrial engineering and electrical equipment companies. In our commitment towards RE100, we have achieved a 77% RE status against 69% in FY '25 with our Tamil Nadu plants now at 91% RE100.

In summary, FY '26 was an outstanding year for Ashok Leyland as we executed our strategy effectively and delivered record results while planting seeds for future growth. Looking forward, we are entering the new fiscal year with cautious optimism. Demand drivers for commercial vehicles remain positive overall. However, we are mindful of the macroeconomic headwinds such as global economic uncertainties, commodity price volatility and diesel price increases. However, our foundations remain strong.

We will keep innovating attuned to our customers' need with intense operational discipline and heightened focus on prudent fiscal management. Ashok Leyland is well positioned to navigate the road ahead and continue creating long-term value for our stakeholders. Thank you once again for your continued trust on us. Now I hand it over back to the moderator.

- Moderator:** Thank you very much. The first question is from the line of Kapil Singh from Nomura.
- Kapil Singh:** Congratulations on a strong performance. My first question is on demand itself. Recently, we have seen fuel price hikes. So just wanted to check what are the demand signals you are observing? Has there been any change? And for FY '27 as a whole, is there any outlook you would like to give on the growth for MHCVs? Similarly, on export also, if you can share the outlook?
- Shenu Agarwal:** Yes. Thank you, Kapil. It's a very relevant question, and we do hear a lot of noise in the media about several things. But I just wanted to clarify what our outlook or our view about the market is. Of course, you know that since October, the market has grown very strongly on both MHCV side and the LCV side.
- And the reason was basically one, the effect of the GST rationalization, which reduced the prices by about 10%. And the other reason was also that this GST rationalization acted as a trigger for replacement of the aged fleets. And we know that the aging of the fleet is at its all-time high. Now having said that, Q3 and Q4 had very strong growth and April also was very positive.
- In May, we are not seeing any significant slowdown, both on the MHCV and LCV side. However, there is kind of sentiment attached to the diesel oil prices that is there in the market, which is affecting the current logistics operations also in many routes and in many areas. However, I think the resilience of the demand based on GST and on the replacement factor is acting very, very strongly. And it is protecting the minimum baseline on the CV demand right now. Of course, we have to watch how the diesel oil price situation in terms of availability and in terms of the price hikes, how these pan out.
- So to that extent, we have to have a kind of a wait-and-watch approach. But I can tell you for sure that when we are talking to our customers and the big fleet owners, and I was traveling in the Eastern region last week or a couple of weeks back. I think that basic base level demand resilience is very, very strong.
- On the export side, the situation is very similar. At least in our home markets of GCC, Africa and SAARC, although the oil prices have gone up quite significantly. But we are not seeing any significant slowdown in the demand on the retail level. Now of course, export volumes may get still affected because of the international logistics situation. Like even in March and also in April, while there was demand, we could not ship out the quantities according to the demand because of logistics issue.
- So exports might drop, I would say, in Q1, although things are now coming back to normalcy as we speak. The situation in our factory in RAK, also we had to drop the production there because of local challenges. So we had some effect in March and also in April. But now we are trying to bring it back to 100% capacity utilization. It may take a few more weeks to do that. But overall, the demand scenario is not very concerning.
- Kapil Singh:** Okay. That's good to hear. Sir, second question was on margins. The gross margins have seen an improvement this quarter. You alluded to it. So if you could just elaborate how much was the price hike we took? And what was the commodity cost pressure that was felt during the quarter?

And also the outlook for next quarter, like if you have taken any price hikes and how much commodity pressure should we expect in the coming 1Q FY '27.

K. M. Balaji: Thanks for the question, Kapil. Actually, we have taken a price increase of about 1% effective January. And we could continue to recover that 1% for the entire quarter, okay? That was the recovery part. On the cost side, there has been some increases which have happened on the cost, but we have been successful enough to get the savings on account of this value engineering and e-sourcing and the commercial negotiations, etcetera, which is much higher than the kind of commodity increase which we witnessed in Q4, but that is where we have sort of managed the commodity cost increases through the value engineering and e-sourcing savings. That has really helped us on the gross margin front.

Kapil Singh: Okay. And for 1Q, what is the outlook on both pricing and cost?

K. M. Balaji: See, pricing, we have taken a price increase of about 1%, 1.5%, but we'll have to wait and see whether we'll be able to sustain the kind of price increase for the full quarter. And on the commodity cost side, there has been an increase. There has been a significant increase, which has happened on the commodity cost side, predominantly steel. So there it is going to be a challenge which we'll be facing as far as Q1 is concerned.

Kapil Singh: Sir, any number you can share like what's the range of commodity pressures we are facing?

K. M. Balaji: It's too early to give a range or a number, Kapil.

Moderator: The next question is from the line of Mumuksh Mandlesha, from Anand Rathi Institutional Equities.

Mumuksh Mandlesha: Congrats on a good set of numbers. Firstly, just on the demand side, post GST, we see good demand from the small transporters. I just want to check how that has changed in recent times with the price hikes we've seen in the vehicle and also the diesel and disruption, what is happening in the market, sir?

Shenu Agarwal: Yes. Thank you for the question. I mean as far as the impact of the GST was concerned, you are aware that it had a slightly different level of impact -- of course, positive impact on various segments of the CV industry. The LCVs, the smaller vehicles were the ones that had the most positive impact, followed by the intermediate commercial vehicles or ICVs and then the heavy-duty trucks. Within the heavy-duty trucks, I think tipper demand has been more stronger than the rest because of various infrastructure activities also helping the demand.

Now this also indicates that the demand push was better or stronger on the retail side. And also the fact is that the fleet owners were still kind of making their best in terms of calculating the real impact of GST because of input tax credit issues, et cetera.

So the fleet owner demand started surging from December onwards. While the first 2 months, it was largely on the retail side. So basically, that is the scenario. And as I said in response to the previous question, we think this is a fundamental factor that will play out even in the long run,

that is for next several quarters. Now the price increase, there was no price increase actually taken between October and March.

But from April 1, we have taken a price increase, like Balaji said, between 1% and 1.5%, depending on various categories of products. But I mean, if you compare that 1% or 1.5% with a 10% advantage that GST created, it is not -- it is not a significant price increase. And in any case, taking 1%, 1.5% over 6 months of period is a very normal phenomenon in the CV or the larger automotive industry.

So I think let us not be too concerned about the price increase and its impact that has happened. However, the situation on the ground is a little bit challenging for truck operators. And mainly the reason is availability of diesel, not throughout the country, but in certain pockets, there are facing some problems with the availability of diesel. And some of the pumps have even rationed it. When we speak to the government, the government says there is no shortfall of supply.

So some people indicate that probably this is because of the hoarding, et cetera, or a general fear in the minds of the people as to whether diesel supply will actually get impacted. But the situation is quite manageable.

I mean, like I said, last month, I was in Eastern zone, and I met several fleet operators there. So I think they have clearly laid out their plans for the next 12 to 18 months in terms of how much fleet they will add into and what kind of fleet replacement they will do. And they are all sticking right now, they are all sticking to those plans.

Mumuksh Mandlesha: Got it, sir. And just if you can share how would be the mix of retail or the small transporter versus fleet institutional buyers, sir?

Shenu Agarwal: See, generally, at the industry level, retail would be about 55% to 60%, and the rest of it will be fleet. I'm talking about heavy-duty trucks mainly. But when you look at ICV and LCVs, the retail quantum is much -- retail proportion is much higher. But for heavy-duty trucks, it ranges between 55% to 60% right now and the rest is fleet.

Mumuksh Mandlesha: Sir, just on the financial side, this quarter, the operating income has seen a rise to INR86 crores versus INR56 crores. Any reason for that increase? And lastly, what are plans for FY '27 capex and investment?

K. M. Balaji: On the other income, the sundry income side, there is no specific reason except that we had some returns which we have got on account of the investment of the surplus funds. So that is the reason for the increase in the sundry income. And on the capital expenditure side, last year, we incurred about INR1,000 crores. So next year also, the plan would be to incur about INR750 crores to INR1,000 crores on the capital expenditure side. And on the investments, we will decide based on the requirement of the subsidiaries.

Even in the previous calls, I've stated, many of you wanted to know how much we'll invest before this year-end. I indicated to you at that time itself that we will go based on the requirement of the funds by the subsidiary.

And we have actually repaid about GBP30 million out of the GBP80 million loan, which was there with the Optare plc with the Switch U.K. company. This I had indicated, and we have not disbursed any other funds to any other subsidiary company during the quarter. And we will do that based on the requirement. And we have plans, as indicated to you earlier, some of the subsidiary companies like Hinduja Leyland Finance, and its subsidiary Hinduja Housing Finance as well as OHM, these would require funds.

Of course, Switch, you would have noticed, Switch is in a very comfortable position now. They have made profits. They have moved for the first time. They have reported a profit after tax of about INR100 crores -- INR100-plus crores, so they are all in a comfortable position. But for the subsidiaries in need, we will step in and then we will provide the funds. And that will absolutely be on the need basis, and it will be very difficult for me to put a number now and then give you the details on that.

- Moderator:** The next question is from the line of Binay Singh from Morgan Stanley.
- Binay Singh:** In the opening remarks, you shared the net cash number. I missed that. Could you repeat that again?
- Shenu Agarwal:** That is INR5,899 crores.
- Binay Singh:** The December net cash was INR2,600 crores. So that's quite a good jump between December to March outside of...
- Shenu Agarwal:** That's very typical of the automotive industry, especially CV.
- Binay Singh:** This is the working capital changes that came through for you?
- Shenu Agarwal:** Yes, because CV demand in Q4 is very high. So we have to purchase a lot of raw material for that. And the payables of those raw material at the peak level is -- comes into April and May, right? So I think it is better to compare it with last year because that phenomena is there for Q4. At the end of last year, like I said, it was INR1,650 crores lesser than what is at the end of this year. So that is the real gain in the cash. Not okay to look at Q3 versus Q4 to that extent.
- Binay Singh:** And second thing, could you share us what was the FY '26 numbers for spares, defense and exports?
- K. M. Balaji:** Defense and exports, you want the revenue numbers?
- Binay Singh:** Yes. If you could just -- basically a non-truck item revenue number.
- K. M. Balaji:** For Q4, you want?
- Binay Singh:** For FY '26 only, you can share.
- K. M. Balaji:** For FY '26, spare would be around INR3,800 crores. Power Solutions business would be around INR1,400 crores. And exports, it has crossed INR3,000 crores, which is at INR3,200 crores.

- Binay Singh:** Any number on defense and stand-alone, how much...
- Shenu Agarwal:** Defense is INR800 crores in the books up here, but overall defense business is at INR1,200 crores, including our subsidiaries, defense business.
- Binay Singh:** Right. And lastly, just next year for subsidiaries from the -- like we've seen turnaround this year, but how to look at subsidiary performance next year?
- K. M. Balaji:** Subsidiaries, actually, they are doing well, especially Hinduja Leyland Finance and Hinduja Housing Finance, they are growing at a 15% to 20% basis year-on-year. While on one side, it is good to note that the growth is quite good and just continues, but on the other side, they would also require funds at times because I mean, the Tier 1 capital sometimes is low compared to the peers in the same industry.
- So that is also, in a way, requiring us to invest in Hinduja Housing as well as Hinduja Leyland Finance. And on Switch, it is growing very well. You would have seen the numbers. The numbers have gone several times, especially on the buses side as well as on the light commercial vehicle side also, we have sold about 1,600 ELCVs. The growing is quite good now. And for the first time, I mean, as per our plan, as indicated earlier in our earlier conference calls, the company has touched profit figure, PAT is about INR100-plus crores.
- And they have quite a good and a strong order book position also, about 1,600 vehicles order book position they have from various state transport undertaking as well as on the private requirement side. So I mean, overall, it is good. And on the OHM side, as indicated earlier, they might require some funds because they will have to buy the vehicles and then they will have to run it for the STUs, so they might require some funds wherein Ashok Leyland might have to chip in with some investments in OHM.
- Similarly, as I indicated to you, we may also have to invest some funds in Hinduja Leyland Finance as well as in Hinduja Housing Finance. So these will be the 2 companies that would require some funds towards their growth plans.
- Binay Singh:** And team, earlier in September, we had talked about the CALB partnership, right, on the battery ecosystem. Any update on that? Is that -- I assume it's not a part of the investment that you are talking about, right?
- Shenu Agarwal:** No. The battery business is currently housed within Ashok Leyland only. So it's not housed in a separate subsidiary yet. So all those investments would be part of our own capex, that number Balaji has given you. And as far as the business itself is concerned, it is moving on track.
- We have already planned -- we have already done the groundbreaking ceremony of setting up this battery pack manufacturing facility at Pillaipakkam, which is not very far from Chennai. We should be able to start construction work within the next 8 to 10 weeks, I would suppose. And the target for the start of production would be Q2 of next year.
- Binay Singh:** And on the cell manufacturing...

Shenu Agarwal: No, we are starting with pack first. It is a phased approach that we are adopting. So we are starting with pack for captive consumption and also for energy storage systems. In the second phase, we will expand the pack capacity to get into non-captive demand also on the automotive side. And then in the third phase, we will look at cell manufacturing.

So it is a phased approach that we are following because one thing is manufacturing, but also the other thing is the penetration of electric vehicle in India. So we'll have to just dovetail our own manufacturing investments with the demand scenarios that will emerge in the country.

Binay Singh: Right. And lastly, just any thoughts on PLI? When do we expect that on the electric side?

Shenu Agarwal: PLI, we are still trying to match up to those thresholds as per the government scheme. So there are some investment proposals that are coming up. I think we should be able to provide you a better update on that hopefully in 4 to 5 months from now.

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

Pramod Kumar: Sir, before I go into the business question, first a clarification, can you just share the 4Q non-vehicle revenue bit, Balaji, like how you shared the spares and the exports and the defense bit for the full year? Can you share for 4Q? And how has it grown on a year-on-year basis?

K. M. Balaji: 4Q spares is INR1,060 crores for the spares. Last year number was INR950 crores. Engines, INR425 crores, last year at same level. Exports, INR1,100 crores. Last year was INR825 crores. Defense, INR275 crores, last year was INR170 crores.

Pramod Kumar: The non-vehicle revenue, do you expect the momentum to continue in 1Q because we do have a bit of a problem on the commodity and even on the demand side. So I'm just trying to see will this -- will we get the benefit what we got in 4Q in the subsequent quarters from non-vehicle revenue or there could be some moderation there as well or seasonality rather?

K. M. Balaji: As of now, it appears that the demand continues to be there for the non-vehicle side. So we don't see any dip happening on the non-vehicle revenue side, Pramod.

Pramod Kumar: Yes, that's good to hear Balaji. And Shenu sir, a question to you. It's understandable given the macro and the situation, what you explained. We've all been working with mid-single digit to high single-digit industry growth for next year for fiscal '27. And this is even with the second half base kind of coming in, which is quite daunting.

But now given the current scenario, if you can just help what will be the conservative or if you can give us a range of growth which you expect, assuming that the situation doesn't resolve or the commodity escalation doesn't reverse out soon and which could be the bottom case for -- in terms of a number for the industry.

And that will be really helpful, sir, because we are all trying to kind of work with this uncertainty, but you are definitely got a much better picture on demand on the ground pulps and everything. So if you can just help us understand there as to what could be the range of outcomes here on the growth front?

Shenu Agarwal: Pramod, listen, I would have loved to give you an estimate, but I wouldn't hazard a guess here because I'm really shooting in the dark. But I can tell you 2 things, and then you can make your own judgments around it. One thing is, like I said, the base level demand in CV industry, we have seen has been very, very resilient even after the outbreak of the war, even after the increase in the diesel prices.

And this I'm suggesting not just because of the numbers of April and May so far, but I'm also suggesting this based on several conversations we had with the customers. Like I said, most of the customers had made very ambitious plans on the replacement of fleet and addition of the fleets after GST. Around December, January, they had created those plans.

And the customers that are fully loyal to us, of course, they do share their plans with us so that we can work together and fulfill their expansions. And as far as -- I mean, until about last week, I can say, and this is after the price hikes on the diesel, people are not changing their plans right now.

So while there is a bit of a challenge on the ground, and it is limited to some areas, not the entire country, like I said, in terms of uptime, in terms of that they have to deliver mainly because of the diesel shortages in some pockets. But most of the fleet owners are sticking to their plans for the year in terms of expansion of the fleet. So that is kind of a very good signal as far as the demand is concerned overall on the next 2 to 3 or 4 quarters basis.

Now what we need to see is like how much of inflation we see on the oil, on the diesel side. So far, they have increased it about INR7, which I said is like very manageable for the fleet owners. And I think the general view is that even if it goes to around INR10 to INR15, they would be able to manage by passing on most part of it to the suppliers and bearing a little bit of compression there. So I think that is the situation. It will be very difficult to say -- to put a number on it, like how much Q1 will grow or how much Q2 will grow. But I am quite optimistic that at least Q1 is concerned, this industry level CV performance would be better than last year Q1.

Pramod Kumar: Yes. But we can see that in April itself, sir. But okay, let me put it this way. On a full year basis, do you envisage a scenario where you could actually see no growth at the industry level -- is that a possibility compared to last year?

Shenu Agarwal: Pramod, the way I see it is like this. Let us assume that there will be some setback in the demand in quarter 1, quarter 2 or so. Now my feeling is that even if there is a setback, this demand is not going to go away permanently. It is going to convert into a pent-up demand. And the reason I say that because fundamentally, the situation is very strong on the ground.

The sentiment is very strong. People have huge expansion plans. The aging of the fleet is at its highest. The rate cut has really improved the economics and the TCO of the fleet, right? So when the fundamentals are strong, even if there is a temporary dip because of a certain macroeconomic factor, don't you think that will end up becoming a pent-up demand for the industry. And even if there is a dip in Q2, it should come back in Q3 or Q4. I mean that is my view. You may have -- I mean, people may have other views, but that is like my view talking to a lot of people in the industry.

Pramod Kumar: Fair enough, sir. Last question to Balaji, sir, on margins. I think it's a tough hand what you have here. So -- and you've got a very solid base for the last few years in terms of execution on margins, kudos to you and the team. But now given this scenario and the high base, how should one look at the margins on the near term?

Because even if the war stops tomorrow, I don't think the commodity prices are easing back in a hurry. So in the near term, Balaji, if you can help us understand margins given all the inflation and demand potentially being a bit soft and with limits of pricing capabilities. So if you can just help us understand the margin outlook for the near to medium term for the next 2 to 3 quarters, please?

K. M. Balaji: See, there are various pockets where we can work out on the cost. See, there are -- you can broadly divide the entire cost into 2. One is controllable, the other one is not controllable. The noncontrollable costs are the ones that are predominantly this commodity costs where you don't have any control. But on the other side, we also have -- just like what we did in Q4 of last financial year, we have control on the savings, the value engineering, e-sourcing, the commercial negotiations, the turnover discounts from the suppliers, et cetera, where we can work and then we can try and reduce and negate.

But this also, I can tell you that we can do it only up to a certain extent. If the commodity cost grows exorbitantly high, then it becomes an issue. But we are confident that we can effectively reduce the costs, which are in our control. Actually, we have started now forming the cross-functional teams essentially to understand and look at each of the operating expense, accounting head-wise individually and then work on the possibility of the reduction. We have started this process, and you'll see the benefit of this coming inside in the subsequent quarters.

Pramod Kumar: And Balaji, just to quantify -- so for the under recovery, sir, right now, as of 1Q, where are we on the under recovery on commodity? How much is under recovery?

K. M. Balaji: Q4, we could recover more than the cost increases. But in Q1, we'll have to see -- I mean, we'll have to wait and see because there is a combination. There's also a price increase which we have taken. And there's also a cost increase which has happened. And the balance we'll have to recover by way of the operating expense reduction as well as the value engineering and e-sourcing. Right now, the gap seems to be somewhat manageable, but we'll have to wait and see.

Shenu Agarwal: But Pramod, I mean, the situation on the commodity side is definitely challenging. I mean you guys also have those data points, what is happening in the steel on aluminum, copper, rubber, et cetera. Yes. So I mean, we are just hoping that some of it we can neutralize through price increases, which has already happened. Now the question is whether we can sustain them those price increases for the whole quarter.

And the second is, like Balaji said, we have initiated a whole lot of cost control measures inside the company. Of course, we do not want to dilute any programs which have a future positive impact on the company because like I explained, even if there is a dip in the market, we do hope that it will convert into a pent-up demand, which will start showing back up again in the later half of the year.

So we do not want to sacrifice on that view or that demand which might come up later. But anything which is discretionary, anything that can be pushed out, anything that is not really adding a huge value over the next few quarters, each and every bit of cost we are looking at, and we are trying to restrain -- put some restraints on those costs. So I mean, I know you want a particular number, but it is very difficult. There is definitely an impact on the margins from the commodity side. But let us see how much of it we can neutralize through price increases and cost controls.

Moderator: The next question is from the line of Aryn Pirani from JP Morgan.

Aryn Pirani: My first question is actually regarding the quarter. In 4Q this time, we did not see the sign of operating leverage on the staff and other costs that we normally see in every fourth quarter as volume goes up. So is there anything that is a one-off or anything that we should keep in mind when you are looking at the financials for this quarter?

K. M. Balaji: I mean your observation is quite right. I mean we could not get much of leverage as we got in the first 3 quarters of the last financial year, that is FY '26. And this quarter, actually, we had to also -- in line with the performance, we also had to make some provision towards the performance-related bonuses for the executives. So this we wanted to provide after reaching the threshold limits.

So this we did only in the fourth quarter. So that's why you see that happening. And on top of it, I did speak about the commodity cost increases. Though effectively, we contained. But in the earlier 3 quarters, we didn't experience this kind of a surge on the commodity cost.

So that has, in a way, that has also indirectly impacted, though quarter-on-quarter, there has been 80 basis points improvement on the gross profit, but this has not really helped us on the operating leverage side. Your observation is right.

Aryn Pirani: Sure. And just as a follow-up, I mean, obviously, we've talked at length about the commodity pressures and what the company can do. But given that there is a general inflation and there are challenges on employee costs wages, diesel availability, gas availability. Is there something that we need to keep in mind in your other expenses for next year? Do we need to keep something in mind whether this could be a year of extraordinary inflation or it will be a normal year and the only challenge is the raw material line, which we need to monitor?

K. M. Balaji: We will also get challenges on the operating cost side also, especially there are a few expenses like this transportation expense, which we incur towards the movement of the chassis from the plant to the selling point. There are certain expenses which are going to go up, which are entirely dependent on this fuel price.

Similarly, there is also a lot of conversion, which happens even on the raw material side where we pay the conversion cost. And finally, we'll also have to look at how this exchange is going to behave. Rupee, if it is going to weaken further, then that could also add up to the cost. So these could be the possible costs which can get inside the other expenditure.

- Amyr Pirani:** Okay. Okay. That's good. And just lastly, if I can ask you. The last 2, 3 years, you have been very judicious in taking price hikes. I think the industry in general has not tried to do a price war. Given the inflationary scenario and the uncertainty, is the industry still continuing to be judicious and disciplined or just some thoughts on that?
- Shenu Agarwal:** I think the current situation should add to that discipline. I mean, like I said, definitely, there would be a challenge on the commodity cost side. So industry, to the extent possible, should use their judgment to see how much of it can be passed on to the market without affecting the demand, but generally speaking, yes, we are hoping that the industry should look at taking multiple price hikes during the year.
- Moderator:** The next question is from the line of Raghunandhan from Nuvama Research.
- Raghunandhan NL:** Congratulations, sir, on a strong FY '26. And a couple of questions. Firstly, within the MHCV, how do you see the demand for various subcategories, which segments could outperform and underperform the overall market?
- Shenu Agarwal:** Yes, Raghu, thank you for the question. Like I said, so far, what we have seen as an impact of GST is more on the side of the ICV. ICV demand has grown more than the heavy-duty truck demand, and that has created some kind of a mix pressure on us, like heavy-duty trucks are more margin accretive. However, we do believe that, that initial enthusiasm on the ICV side will start to moderate and the demand momentum on the heavy-duty truck side should start coming across now. I mean with this, we have seen since February itself, I mean, heavy-duty trucks has gone through a good momentum since February, although first 3 months, larger fleet owners, they took time to adjust to the new system, especially the tax system.
- This year, we are thinking that the tipper segment and the multi-axle segment would be the fastest-growing segments, followed by a segment which we call trip trailer, which is part of the tractor trailer because trip trailers are generally used in the mines. So anything that is to connect with the mines or infrastructure projects or construction projects, I think they would show tremendous promise this year.
- While the tractor trailer and in some routes of long haul, which is non-steel, non-cement, non-iron may little bit moderate. So that is our view right now. So a little bit moderation in ICV and moderation when I say it's not respect to last year, I say it with respect to last 6 months. So ICV and tractor long haul might moderate, but anything related to mine would show tremendous promise is our view currently.
- Raghunandhan NL:** And also if you can speak on LCV and defense, how do you see the outlook? And specifically on defense, how big is the pending order book? And after a 20% growth in FY '26, how do you see the prospects for FY '27?
- Shenu Agarwal:** Yes, Raghu, like I explained, I mean, we had a fabulous FY '26 in defense, more than 20% growth. Revenues increased to INR1,200 crores plus, including that of the subsidiary. But also the fact is that our order pipeline on defense is strongest ever. So it is already above INR1,500 crores, which are the orders in our hand, which are due for execution and supply. And we also

hope to receive many orders during the year also, right? So on defense, we are very sure that it's not just this year, but at least for the next 2 to 3 years, we will show very strong growth.

Raghunandhan NL: And how do you see the outlook for LCV.

Moderator: Mr. Raghunandhan, we request to the question queue for a follow-up question. The next question is from the line of Vipul Agrawal from HSBC.

Vipul Agrawal: Just one question on the market share side. So recently, you have launched a new series of trucks. But at the same time, we have seen market share is largely stable or I would say, slightly declined in the last 3 to 4 years. So how do you see the new portfolio launch helping in recovering or gaining some market share in future? And do we still have some white spaces in our portfolio, which can be plugged in future to gain some more market share?

Shenu Agarwal: Vipul, thank you, first of all. But maybe I'll ask our Investor Relations team to get in touch with you to clarify that we haven't lost market share in the last 3, 4 years, but we have tremendously gained actually on the MHCV side. I mean, looking at FY '22 as a base. So '23, '24, '25, '26, 4-year data, if you look, there is a substantial increase in the MHCV market share. However, that we can discuss later.

But right now, let me just tell you that we are very, very confident of the new product launches. And I'm not just saying because these are any -- this is any other launch. I'm saying because we have put in a lot of effort into these launches. One of the reasons we lost some market share in some limited segments was also that we were a little bit kind of delayed in coming to the market with these higher horsepower tractor and tippers.

Now since we have these in our fold, and undoubtedly, I can tell you that these are the best in the industry right now in terms of power, torque and mileage, reliability, et cetera. So we would definitely see a positive impact in our market share or market penetration. Now having said that, we have just started shipping these products as far as last year is concerned, we have started shipping in February and March. And there are only a few hundred units that we have shipped out until 31st March.

So you cannot see the impact in last year, but you will definitely see this impact starting quarter 2. In quarter 1 also, the dispatches would not be to the full extent of the demand and because there is a certain lead time in ramping up the production of new products. But you will see that impact definitely in especially 2 segments. One would be the tipper segment and the other would be a tractor trailer segment.

Moderator: The next question is from the line of Sridhar Kalyani from Antique Stock Broking Limited.

Sridhar Kalyani: Just one follow-up question that I wanted to understand. Defense you mentioned that around INR1,500 crores order book we have. So this is like execution or anything on fleet annual revenue, if you could help us understand like INR1,500 crores we'll be executing in the current year or it is split into 2 to 3 years?

Shenu Agarwal: So the way it happens is that different orders have different supply schedules, right? So none of the orders in Army or MOD -- most of the orders cannot be fulfilled in just 1 year, right? So they have a longer supply schedule ranging between 1 to 3 years. So the order book will not all be delivered in this year. However, as I said, there would be many new orders we'll receive during the year, which will also help us building the top line for the current year. So -- but one thing I can tell you that we have been delivering 20% growth in defense business over the last few years. And at least that trend we hope to continue with.

Sridhar Kalyani: That is very helpful, sir. And just as you explained to us that, there might be some moderation over the next few months. How do you look at the ICV and LCV space? Do you see some moderation over there also in the coming quarters?

Shenu Agarwal: Yes. When I just want to clarify that when I want -- when I'm saying about moderation, I'm not comparing it with last year. I still believe our volumes will be higher than last year. But moderation, when I'm saying, I'm referring to Q4 essentially because Q4, you know the industry went kind of berserk. All that GST effect started playing in all the segments, right?

So that is what my view is because LCV demand, I think, was up like 20%, 25% at an industry level in Q4. So when I say moderation, I mean moderation from those levels. So some moderation would be seen in LCV and ICV and some pickup in demand, relative demand as from Q4 should be seen in the heavy-duty trucks. That is how we view it. And actually, this will be helpful in terms of the mix as well because heavy-duty trucks is much more richer in terms of mix.

Sridhar Kalyani: Got it. Just one thing, in terms of geography, where do we see good substantial demand coming in from? Like it's geography specific, if you can just help us understand which regions are expected to do well compared to last year?

Shenu Agarwal: I think it would be quite broad-based. But if I were to pick on 1 or 2 specifically, I would say any -- all the sectors related to mining and infrastructure would see the strongest demand this year. So mining -- most of the mining is happening around Maharashtra, Orissa, Chhattisgarh, Jharkhand, West Bengal, etcetera. So that part of the country, I think, will be strong because of mining. And also the other factor would be infrastructure and construction projects.

Now these are quite broad-based, but you can, I mean, figure out where the money is coming, which products -- which projects are running right now or which new projects are coming. So that is why -- that is how we also plot our demand on the area-specific basis.

Moderator: Ladies and gentlemen, we take that as the last question of today. And now I would like to hand the conference over to the management for closing comments.

Shenu Agarwal: Thank you once again for your continued trust in us. We know there is a lot of noise in the market around various macroeconomic factors. But I just want to once again tell you that the way we see the demand in CV industry, we think that there is a lot of resilience in the baseline demand.

Now how much we will grow with respect to Q4 and Q3 and how much we will grow with respect to last year is something which remains to be seen. But I think the sentiment is very positive, especially on the fleet owner side, they still have very ambitious plans to add fleets or replace fleets.

The material cost situation is challenging. But like Balaji explained earlier in the call, we are looking at all avenues to see how we can neutralize it through price increases and also through cost savings. With that, I would like to close the call. Thank you very much once again for joining us.

Moderator:

Thank you. On behalf of Spark Institutional Equities Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.