ASHOK LEYLAND
Koi Manzil Door Nahin

February 17, 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,

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 February 11, 2026 to discuss the un-audited financial results for the quarter and nine months ended December 31, 2025.

Meeting start time - 5.15 p.m. IST
End time – 6.15 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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N Ramanathan
Company Secretary

Encl.: a/a

"Ashok Leyland Limited

Q3 FY '26 Earnings Conference Call"

February 11, 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. RONAK MEHTA – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Ashok Leyland Q3 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the 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 has been recorded.

I now hand the conference over to Mr. Ronak Mehta from ICICI Securities Limited. Thank you, and over to you, Mr. Ronak.

Ronak Mehta: Thank you. Good evening, everyone. On behalf of ICICI Securities, I welcome you all to Q3 FY '26 Earnings Conference Call of Ashok Leyland Limited. We have with us today Mr. Shenu Agarwal, Managing Director and CEO; Mr. K. M. Balaji, President, Finance and CFO; and Investor Relations team. I will now hand over the call to the management team for their opening remarks. Over to you, sir.

Shenu Agarwal: Good evening, ladies and gentlemen. Thank you for joining in and for your trust in Ashok Leyland as always. Q3 was a remarkable quarter for Ashok Leyland delivering superlative financial performance, setting new benchmarks in manufacturing operations and pushing boundaries in product innovation.

Ashok Leyland achieved its highest ever quarter 3 volumes, revenue, EBITDA, EBITDA margin, profit before tax and profit after tax. Ashok Leyland recently inaugurated one of the most modern electric vehicle manufacturing plant built from ground 0 in just 14 months. Again, Ashok Leyland recently launched HIPPO tractor and TAURUS tipper range with industry best power and torque and many other performance and reliability updates.

The GST reset provided the much-needed trigger for fresh CV replacement cycle to kick in. GST rate rationalization not only lowered the prices of CV significantly but also created a major fillip in consumption and therefore, in freight demand. It elevated sentiments of both retail and bulk buyers, resulting in strong volume growth in the last 3 months consecutively.

In Q3, the domestic MHCV truck industry volume grew 24%, with overall MHCV industry growing by 21%. The LCV industry volume grew by 23%. The momentum has continued in January '26, which augurs well for a strong FY '26 finish.

Ashok Leyland domestic MHCV volume growth for the quarter was at 23.4% Y-o-Y and was better than the industry growth. On YTD 9-month period as well, Ashok Leyland growth at 9.8% Y-o-Y was better than the industry growth, thus resulting in market share gains. The MHCV domestic market share on YTD basis was 30.9%, a gain of 60 basis points Y-o-Y. This is without defense and EVs for buses.

Domestic MHCV truck volume for Q3 was at 27,615 units, and MHCV bus volume was at 5,314 units. Ashok Leyland domestic LCV volume for quarter 3 was at 20,518 units, higher by 30% year-on-year, beating industry growth. LCV VAHAN market share for Q3 was at 12.1%, with a gain of 70 basis points Y-o-Y. For the 9-month period, domestic LCV market share stood at 12.7% with a gain of 40 basis points Y-o-Y.

Our exports volume for Q3 at 4,965 units was higher by 20% Y-o-Y. For 9-month period, exports volume was higher by 30%. The growth was broad-based with double-digit volume growth across all our home markets outside India, which are GCC, Africa and SAARC.

Our non-CV businesses also grew as per plan. Aftermarket revenues for Q3 was higher 10% year-on-year. Revenue from Power Solutions business was higher by 45% year-on-year, and revenue from defense business was higher by 84% year-on-year. Defense order book and tender win pipeline remains strong.

We are steadfastly working on product innovation for differentiation and premiumization. Ashok Leyland recently launched the new range of heavy-duty trucks, HIPPO tractors and TAURUS tippers with industry-best power and torque.

These products with superior powertrain of 320 HP and 360 HP and heavy-duty driveline aggregates will deliver industry-best uptime TAT and TCO. In the multi-axle vehicle category also, we launched new trucks with improved powertrain of 280 horsepower, along with superior aggregates for better TAT and productivity.

In the LCV segment, we launched new 4.1-ton Bada Dost with industry best payload capacity. We also launched a new 100 KMPH Bada Dost or Phoenix for our IO markets, and we extended load span options up to 10 feet 7 inches, thus expanding our product coverage in the LCV segment. Shortly, we will enter the growing bi-fuel segment as well.

Our product pipeline remains strong with launch of many more new products planned in the next 6 months. We continue to leverage our strong non-diesel portfolio, 2 models of light electric trucks, 3 nodes of MHCV electric trucks and several models and variants of electric buses are already available commercially. We are also ready with products on other greener technologies, such as CNG, LNG and even hydrogen.

With the inauguration of the new Lucknow plant and continued ramp-up of our other bus plants, we shall soon reach bus body building capacity of 20,000 numbers per year. For strengthening our service reach, we added 75 MHCV touch points and 77 LCV touch points during the 9-month period with 45% of the MHCV touch point additions in the North and Northeast. At the end of Q3 FY '26, Ashok Leyland network has a total of 2,041 touch points: 1,126 for MHCV; and 915 for LCV.

In international markets, we expanded our network to 4 new territories. Quite recently, Ashok Leyland signed an MOU with PT Pindad of Indonesia, a state-owned entity in the defense sector for joint development of electric buses and defense vehicles for the Indonesian market. With distributor partners already lined up in Malaysia and Philippines, we are in the process of establishing ASEAN as our fourth home market outside India.

Now coming to financials, Ashok Leyland achieved all-time high quarter 3 revenue, EBITDA, EBITDA margin, PBT and PAT. Revenue for Q3 was at INR11,534 crores, higher by 21.7% on a year-on-year basis. EBITDA was at INR1,535 crores, higher by 26.7% year-on-year. EBITDA margin for the quarter was at 13.3%, higher by 50 basis points against Q3 of last year. PBT before exceptional items was at INR1,373 crores higher 38% on a year-on-year basis. PAT before exceptional item for Q3 was at INR1,105 crores, higher by 45% year-on-year.

During the quarter, on account of the new Labour Code, there was a onetime charge of INR308 crores. Material cost as a percentage of revenue for Q3 was 72.2% higher by 70 basis points Y-o-Y and 100 basis points sequentially. This gross margin compression was on account of product mix and some escalations in nonferrous commodities with PGM, copper and aluminium.

Cost saving efforts continue with the same rigor while we are pushing for improvement in price realizations for recovering commodity cost increase. Capex for the quarter was at INR186 crores and cumulatively INR844 crores for the 9-month period.

Investments in subsidiaries in Q3 and for the 9-month period was INR16 crores. Our cash position, net of debt has got stronger. We had net cash of INR2,619 crores at the end of the quarter, an increase of more than INR1,660 crores on a year-on-year basis.

Coming to our subsidiaries, Switch India continues to do well. For 9-month period, Switch India sold 850 buses and about 1,200 ELCVs with positive EBITDA and positive PAT. Current order book stands at 1,350 units. Recently, Switch delivered over 240 buses for deployment in the national capital. Switch has now also started exports with the first batch of vehicles supplied to Mauritius and one order of 45 buses obtained from Bhutan. Switch India is progressing well on its target of becoming free cash flow positive by FY '27.

OHM, our E-MaaS subsidiary is now operating more than 1,400 electric buses, adding more than 300 buses to the operating fleet in Q3. All the GCC projects under execution by OHM are at healthy double-digit IRR. Hinduja Leyland Finance stand-alone AUM was at INR56,470 crores, higher 18% Y-o-Y and Hinduja Housing Finance AUM was at INR15,454 crores, higher 16% Y-o-Y.

Total PAT for the finance subsidiaries for quarter 3 was at INR220 crores. Reverse merger of HLF with NDL Ventures had some initial delays, but now with all the necessary approvals in place, the process is being followed for a final closure.

We remain focused on our ESG commitments. Our Dow Jones Sustainability Indexes ESG score has improved significantly and we are now in global top 2% of the IEQ, which is industrial engineering and electrical equipment companies. In our commitment towards RE100, we achieved 80% RE status against 69% in FY '25 with our Tamil Nadu plants now at 94%. Our road to school and road to livelihood programs continue to grow, extending their reach to about 6.1 lakh students now.

In summary, we believe we have progressed reasonably well in the 9-month period on all our focus areas, which are MSCV and LCV market share, growth of non-CV and IO businesses, product innovation, service reach, profitability and sustainability. We believe that current environment is extremely conducive to CV volume growth with favourable macros, pro-growth at FY '27 Union Budget, just concluded India-EU FTA and resolution of the India U.S. trade tariff deadlock. On the back of these, we remain confident of posting good volume growth in the coming quarters. Thank you once again for your continued trust in Ashok Leyland. I now hand it over to the moderator for Q&A.

Moderator: The first question is from the line of Gunjan Prithyani from Bank of America.

Gunjan Prithyani: My first question is on the industry growth outlook. I think you did sound pretty confident and positive on the growth outlook. Can you just share more insights on how should we think about the sustainable growth getting into fiscal '27? I mean, I'm sure there is an element of bunching up that's happening post GST?

And maybe just a little bit more elaboration on the point that you made that we are seeing replacement demand come through to the industry, both from small as well as the bulk buyers. Is it that we're starting to see the larger set of truck operators also come back to the market after the GST, this whole clarity has settled in as to which rate they will go forward with? Maybe some thoughts around that?

Shenu Agarwal: Yes, Gunjan, thank you very much for the question. When GST was announced, the first movers in the industry was actually the retail buyers, not the bulk buyers. As you rightly said, bulk buyers have a little bit of a more complex equation to understand because of the GST reduction. And therefore, in November and December, largely, we saw the growth coming from retail buyers more than bulk buyers.

Now in January, we have seen that even many bulk buyers are now coming forward and they are not just buying for their current needs, but also, they are even projecting their purchasing for the next many quarters, like 3 or 4 quarters. So we think that, that sentiment is very strong right now. People are seeing the value. We are seeing that freight demand is going up.

So it's not just about the lowering of the prices because of the tax cut. It's also because of the growth in the consumption economy and more freight demand. We are also actually seeing a slight increase in the freight rates also. It's a very kind of a unique situation when both the demand and the rates are going up in the market, which is building up quite a positive sentiment.

Even initially, we were a little bit apprehensive whether the bulk buyers would move forward because of all the complications relating to the ITCs and the cash flows, etcetera. But now in January, we are much more optimistic about the future prospects, having seen the bulk buyers also moving out and actually projecting their demand for next many months now.

So we are, at this point in time, very confident that this could be a start of a new replacement cycle in the CV industry. We had always been talking about the aging fleet and how the average age has gone up from 7, 7.5 to 10, 10.5. And we were just hoping and waiting for a trigger that could provide the replacement cycle to kick in. And we do think this could be the trigger.

Gunjan Prithyani: Okay. So that's actually quite encouraging to hear. Maybe just like a quick follow-up on that. Given that we didn't really see a sharp volatility in the cycle this time around. I mean, on the way down also, it wasn't like a steep down. And hence, the question that how do we think about the growth for the next year or 2 years?

Should we sort of also assume the up cycle will be modest, at least the recent numbers don't say that it's modest. So I'm just trying to get a sense that is this a number that we extrapolate or we temper down going into a fiscal '27 given the down cycle wasn't that steep?

Shenu Agarwal: Yes, Gunjan, you have to just consider this in two different ways. I mean, one is like this year also, we are saying specifically for the automotive industry that it's a year of two halves. April to October first 7 months and the balance 5. Right now, next year, also, we have to just keep in mind that April to October, which was a low base from last year, we should see really phenomenal growth, although I don't have numbers to give you right now, exactly, maybe that we can come up with during the end of the fiscal.

But in the second half, which is basically November, December, last 5 months, there would be a high base also, right? So overall, we still believe that the industry is going to stay strong next year. Balaji, you have something to add?

K. M. Balaji: Yes. Actually, Gunjan, when you are talking about the past thing, no, I mean, though it appeared to be stable, still there was a huge movement which was happening between truck and bus. Truck, we all know there was a shortfall. There was a lullness for 2, 3 years. It was about 3,20,000.

And in last year, it came down to 3,13,000. There was a fall, but it was more than compensated by the surge in the volume on the bus side. Bus side went up and it compensated for fall in trucks volume. There was increase on one side and decrease on another side. So, we didn't realize the fluctuation.

Gunjan Prithyani: Got it. And Balaji, since I have you, on the commodity side, can you just sort of share what was the headwind we saw in this quarter? How do we think about the metal inflation that we're seeing, particularly on the precious metal side? I mean, what was the impact in quarter 3? What do we see in quarter 4? And what sort of pricing action we have taken to sort of mitigate that?

K. M. Balaji: Yes. Actually, Q3, we saw an increase in PGM copper and aluminium. This Shenu touched upon in his opening remarks. We saw that although steel price was benign and there was not much of a movement on the steel price, but all these contributed to a sizable increase. Adding to this was the change in the mix.

For us, we all know the truck revenue went from about 50% to 55% overall. This also added to this drop in the gross profit. You would have seen the ASP going up. But these factors contributed to the drop in the gross profit.

We'll come back to the material cost side. So we see this kind of trend, I mean, is happening. And we have started taking -- increasing the recovery from the customer not by way of like an increase in the price by way of increasing in the price circular, etcetera. But by way of reduction in the discounts which we have started doing -- and we would like to see how -- wait and see as to how this is going to unfold in the coming 2 months. We have been successful in getting some price increase in Jan.

Gunjan Prithyani: Can you quantify the commodity impact, what reflected in Q3 and maybe if any calculations you have for quarter 4?

K. M. Balaji: It was roughly 50 basis points, Gunjan. In the Q3, we suffered 50 basis points because of this increase. And we are trying to recover it from the customer by way of increasing the prices by about 60, more than 60 basis points, including the margins.

Gunjan Prithyani: Okay. Thank you for that.

Shenu Agarwal: Yes, there is, just to add to that, there is a little bit of a challenge that we are facing. We have been facing for the last 3 months or so. Even like Balaji said, the mix is also a little bit unfavourable in quarter 3. And largely because of, like I said, the initial momentum from the industry after GST was from the retail side.

And you know there are more retail participation in the ICV and the LCV side of the industry than in the heavy-duty side, right? And therefore, when those -- that growth started appearing, the ICV really went up as a contribution to the overall sales, not just for us but for the industry as well.

And now since in January, we are saying even the bulk buyers, the heavy-duty truck buyers, the tipper MAV, tractor trailer segment is also coming up with the bulk buyers, then this trend should get neutralized is what we are hoping in the next few months. But yes, these are the 2 challenges the industry is facing.

Just on the price hike also, there was a general notion that since GST has really led to strong growth in the industry momentum. This may not be the right time to increase the prices, right? But that I would say is kind of temporary because if commodity pressure continues to build up, then industry would go or should go for a price hike, like a more bigger price hike in future.

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

Pramod Kumar: Congrats on good set of number. My question is on the profitability side. I mean, we understand the volumes are expected to be good, but commodity prices is also surging. And you are, for example, the next quarter basis, the team, which is already a kind of long-term margin guidance, what you gave?

So how should one think about the margins in this particular period. It could be a bit of a disruption because of commodity, which ideally normalize, but how should one look at margins while building in mid-single-digit growth for the industry? If you can just help us understand that bit, it will be very useful?

Shenu Agarwal: Yes. Like I said, there are three elements of it. I mean, at a margin level, profitability level. One is the price, the other is mix and the third is commodity, right? And of course, the fourth element is what we can do internally to further strengthen our efforts on the cost savings.

So all these four will play. Pricing, I already said that there was a notion that we should not increase the prices so soon after the announcement of the GST cuts. And therefore, most of the players, I think, even in the larger automotive industry avoided any significant price hikes. But this does not mean that ability to take a better price is not there.

I think with the rise in demand and the rise in freight rates and on the back of the new products that we have just launched, I think there is a lot of scope of getting better prices from the customer. So I would say it is a temporary concern, but it is nothing fundamental in nature.

The second is, like I said, mix. So initially, in November, December, there was a huge surge in the ICV contribution in the overall truck industry. I mean, it reached close to like 30%, if I remember correctly and it always used to be like 22% to 24%. So there is a big shift there. And I've already explained the reason of it. This is also nothing which is fundamental in nature.

It's not like something has happened in the last 3 months that ICV would be at 30% going forward. Going forward, it has to come down to 23%, 24%. Now whether it takes 1 month or 2 months, 3 months, hard to say. It really depends on the mix of the retail and the bulk and at times that happens. But it shouldn't take that long to get back to a favourable mix.

And the third is commodity. I mean commodity is not so much in our control. But like I said, there are possibilities to hedge it off with better price increases in the future. And also, we are I mean, definitely strengthening our own efforts to get to higher cost savings, not just material cost, but all other costs and whenever you launch a new set of products, the opportunity to save cost, once again, a new opportunity emerges because whenever you design something for the first time, you sometimes tend to overdesign it.

And with some experience in the field, then you have another opportunity of value engineering, etcetera. So we are looking at all of those things, and we will try to see how we manage this temporary situation in a better way.

Pramod Kumar: Second set of question is for Balaji. First is on the steel side, how are the contracts normally kind of structured? The duration and the pricing? And also the second bit is on the staff costs, we see sequentially the staff cost came down, which normally shouldn't be the case given the production has gone higher and there's generally inflation in salaries. So if you can just throw some light on these two points, Balaji? Thank you.

K. M. Balaji: Your first question -- I didn't get your first question.

Shenu Agarwal: Steel contracts...

K. M. Balaji: Steel contracts, actually, they are all half yearly contracts which is done. And what happens is that whenever the markets -- the spot rate changes and the market changes, then either the purchaser or the seller, they approach the other party for the reduction or the increase as the case maybe. So these are all half-yearly contracts.

And on the staff cost side, I think we had to tone down our variable performance pay with reference to the overall full year targets and achievements. That's why, I mean, there is no one-off involved in it, but we had to do this in line with the overall full year targets for the company.

Pramod Kumar: Can you quantify that, if you don't mind?

K. M. Balaji: Quantification will be - there will be approximately INR20 crores, which would have got reduced.

Pramod Kumar: Okay. But so the 4Q should normalize to revert back to our normalized run rate -- but that's not a big number?

K. M. Balaji: I need to confirm that there is no one-off involved in it. Again, for everybody's benefit, I would like to tell you to confirm that there is no one-off except for this wage code amount of INR308 crores in that.

Pramod Kumar: And the component of that, which pertains to 3Q has already been accounted for 3Q results. There would be a normal bump up in your 3Q because of wage code as well, right?

K. M. Balaji: Yes. Yes.

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

Mukesh Saraf: My first question is, again, on the outlook and the CV cycle. What we have seen so far is we've kind of seen a growth in the ICVs and the slightly lower tonnage vehicles, but not so much in the high-tonnage vehicles?

Typically, at the start of the cycle, probably we see a higher growth in the larger tonnage vehicles, but we haven't seen it so far. So if you could kind of help us understand this in terms of beginning of the up cycle, but the mix isn't kind of still seeing that improvement, it'll kind of help?

Shenu Agarwal: Yes. Mukesh, like I just explained. November and December, we saw a higher offtake from the retail segment. But in January now, we are seeing much better traction coming from bulk-buying also. And normally, bulk buying is more towards bulk, more toward the heavy-duty and the retail buying is little bit more skewed towards the low end or middle segments, right?

So this should -- like I said, this should correct itself. And other than -- I mean, just the GST effect, I think the kind of momentum we are seeing on the infrastructure side, construction side, is also going to play quite a lot in the next few months until the monsoon arrives.

And that will definitely give a lot of flip to the heavy-duty segments of tippers and multi-axles. So we are not overly worried. I really think it is a temporary effect, just mainly from November, December, partially in January, and it should subside because like I said, there is no fundamental change in the market dynamics whether it is ICV or heavy duty. So it is just the instant reaction comes -- came faster from the retail segment than the bulk buyers.

K. M. Balaji: And I also need to correct your impression, Mukesh. Even the MAV segment has registered a growth for Q3 compared to the same period last year, there has been a growth of 34%. It's not only ICV which has grown, even the higher tonnage segment side like the tipper and the MAVs, it has grown.

Shenu Agarwal: Mukesh, especially MAV growing also tells you that because MAV is also a very high content or a high contribution of the retail segment that clarifies a point that wherever the retail segment was higher those two segments, they generally kind of showed early jump, not to say that rest of the segments would not follow.

Mukesh Saraf: Got it. Got it. And secondly, slightly on a longer term, you're seeing the notification is out that next year, we'll have the ADAS equipment kind of getting mandatory in trucks, buses and in general, we're seeing over the years a lot more regulations coming into place, be it emissions, be it driver comfort or obviously road safety. I mean, do you see this kind of leading to increase in the price of vehicles, say, over the next 3, 4 years?

And how is the logistics industry, transporters in general how have they evolved? Are they kind of in the situation to pay more for the vehicles? How do you see this? And how are we prepared for this more and more regulations to kind of come?

Shenu Agarwal: Yes. Mukesh, so I mean we have -- I mean some of us who follow the CV industry for a long time, have a lot of ideas about how this industry operates. But I think if you recall, the last big regulation that was there was on the air conditioning of the truck, right?

And we were all quite worried that whether industry will be able to absorb this cost or there will be a reduction in the growth levels, etcetera. But I mean, the industry has so -- so much welcome this whole idea that the industry itself, we believe, has changed a lot actually in the last few years.

People, because of the shortage of the driver, because of other factors, people are giving a lot more importance on things like comfort, safety, and things like this. And AC was a brilliant example of this, and I do think that even with ADAS, which is largely safety-oriented regulation, you would see that people will see value in it. When the accidents can be reduced, when the collisions can be avoided, when there would be lesser fatalities, lesser damage to the goods that they are carrying.

So it takes a little bit of time, some time in adopting to these new technologies or practices. But I think the whole industry dynamics have really changed in our country. People are putting lot more value, I mean, mileage, reliability, etcetera, is important and will continue to be important, right? But comfort and safety and other things are also playing a big role.

K. M. Balaji: And quarter-on-quarter also, Mukesh. Quarter-on-quarter also, there has been a good growth on the tipper segment. Sequentially, between Q2 and Q3, there has been a huge growth on the tippers. And similarly, there has been a huge growth on multi-axle vehicle and ICVs in parallel. And similarly, the growth in haulage and tractor has been quite uniform.

So if you look at sequentially, that is how all these have contributed to a good surge on the margin. Of course, that is partially offset by this commodity cost movements, which has resulted in a 50, 60 basis point improvement sequentially in the margin.

Moderator: The next question is from the line of Raghunandhan N.L. from Nuvama Research.

Raghunandhan N. L.: Congratulations on strong results. Sir, firstly, on the fleet age, it was at a historical high of 10 years given that there is better freight availability, better infrastructure spending and there is a very big advantage of using the newer trucks due to better uptime and remote diagnostics. How do you see this age -- blended age moving over the next 2, 3 years? Do you think it would come down and replacement demand will be a big factor in sustaining the cycle?

Shenu Agarwal: Yes. Thank you, Raghu, first of all, for your kind words. And yes, I mean, you are right. I mean, there is only one way this whole ageing can move, which is to go back to the normal, because, I mean, 10-year, 10.5 year is really not sustainable for our industry. And therefore, if GST and other macroeconomic factors are going to or have triggered, already triggered a replacement cycle, I think we'll have very good times in the future for this industry.

Also, I think other than this, also, there is a lot of consideration going on. Especially for some of the metro cities, etcetera, from the government to look at scrapping once again because pollution has really become a big problem for the whole country, specifically for the larger cities. And so some of these policies, I think if they come in, then they can provide really additional triggers to our market.

I mean, I don't know, but I mean for this age to go back down to even 8 years from 10.5 right now. would take a few years, right? So until then, there is actually a potential demand in the market that we can see. Now how it will dovetail into numbers is, of course, we have to watch.

Raghunandhan N. L.: Can you also speak about your efforts and potential that you see in the non-South markets, how you can further gain market share? How you can replicate the success which you have had historically in the South market?

Shenu Agarwal: Actually, Raghu, I mean, thanks for asking that because that has been one of our big focus areas. And we have done substantially well. I mean, in terms of increasing our penetration in North East and Center. Our, I mean until about 3 or 4 years ago, I remember our market share in North used to be like 15% and now we are having more than 25% with an average market share of 31% overall India.

So we are now - I mean, no longer of that regional company or a zonal company. We are actually now a national brand in that respect. I think other than East where we have to do a little bit of more work, I think we are - we have become very strong in West, Center and North.

And I mean, there is still some headroom. I agree with you. There is still some headroom because 25% is probably not what we want. And we are addressing those challenges. For example, now we have tied up with the TVS Group for our distribution in the NCR area. Now they are coming up with 13 outlets which will give us a huge representation.

And TVS is known for their excellent after-sales surveys, their professionalism in dealerships. They have been our partner in South for 5 or 6 decades. So that relationship is there, that understanding of the market is there, the reputation of the name is there.

So I think by taking such steps I would say that we should be equally strong or at least we should have a 30% market share in the zones where we were at some point in time like 15%, 18%. And that should happen very soon. Most of the actions we have taken already, a few actions are left, which will be completed in the next few quarters.

Raghunandhan N. L.: Thank you very much, sir. Lastly on Hinduja Leyland...

Moderator: Sorry to interrupt. Mr. Raghu, may we request you return to the question queue for a follow-up question?

Raghunandhan N. L.: Sure. Thank you so much.

Moderator: The next question is from the line of Kapil Singh from Nomura.

Kapil Singh: Congratulations on the strong performance. Very tight cost control visible there. My first question is on capacities. How are you placed on capacities for MHCVs and LCVs? Do you need to trigger capex to enhance capacities now there is a potential for up cycle and both -- you can mention both from Ashok Leyland capacity and also from a vendor capacity point of view, how are things placed? Will you be able to service demand? Or is there some supply challenge that is coming up?

Shenu Agarwal: Yes, Kapil, excellent question actually in the circumstances because you guys and we were both surprised by this very, very strong momentum that has shaped up in the last 3 months. But at this point in time, we do not have an overall constraint on the capacity side.

Even with a strong positive forecast, if we undertake or assume for the next year FY '27, we should be more or less be fine in terms of the overall capacity in any which segment that we operate in. There would be some challenges in some smaller niche areas.

For example, there could be a challenge with one particular machining setup or there could be a challenge with one particular supplier where we may have to -- where the supplier may have to invest or we may have to invest in another set of tooling or we may have to ask supplier to set up another shop for us. So those kind of things would be there.

The capex requirement would not be humongous there, but it would be bits and pieces like we have been doing in the past. There may be one or two areas which where we may have to invest, let us say, INR50 crores to INR100 crores kind of amount, but those would be limited to only one or two areas. So I think like we have been telling you that we don't see any major investment in capacity expansion in the next 2 to 3 years.

Kapil Singh: Can you tell us what is your capacity in MHCV and LCVs currently?

K. M. Balaji: Kapil, we'll not be able to disclose the capacities, Kapil.

Kapil Singh: Okay. And just an update on the...

Moderator: Sorry to interrupt. Mr. Kapil, may we request you to return to the question queue for a follow-up question. The next question is from the line of Amyn Pirani from JPMorgan.

Amyn Pirani: Most of the questions have been answered, but there was a news today regarding OHM. And I don't know if you can comment on news flow as of now. But just for our understanding, since the news flow talks about some kind of a valuation. Can you give us a sense as to what are the kind of investments that OHM may require but what you have already thought about?

And what are the -- like some financial metrics, if you can share like revenue or PAT for the business? And what kind of investments you have already thought about, which may be required in the next couple of years?

Shenu Agarwal: Yes. Thank you for that question. I mean we are very focused on building this whole business model around E-MaaS, not just for buses, but also for trucks at some point in time. And we think our whole industry is going to shift to newer business models in the future. And therefore, we have really created this entity to take care of those opportunities.

As far as the investment is concerned, we have already invested INR300 crores in OHM. We have also earmarked another INR300 crores for OHM as and when needed. And like we have, I think, told you before, beyond this INR600 crores, we will be open at looking at other fundraising options.

So, that is where we are. And we have -- like we have been maintaining that some of these GCC contracts that are being won by some of the players in the market are really not viable. And we have our certain minimum thresholds as far as the GCC contracts are concerned.

And if we find that we can play a role in contributing to this kind of industry with certain minimum threshold margins, we do go and get these contracts. But otherwise, we don't, right? So it really depends on how this opportunity will emerge for us. But like I said, as far as investment is concerned, INR600 crores, we have earmarked, of which INR300 crores we have already put in. And beyond that, we will look at certain fundraising from external sources.

K. M. Balaji: And for the year to date, that is till Q3, Shenu has already covered this in his opening statement. Our investment is at INR16 crores, INR16 crores only. And when we look at the requirement of the group companies, including OHM and the other group companies like the Hinduja Leyland Finance and Hinduja Housing Finance, and then we may decide on the capital requirement -- capital infusion in those companies.

Similarly, we will also look at the possibility of repayment of some of the loans which have been acquired by the Optare outside India. So we'll also look at that. So it all depends on the requirement as well as the cash situation. And you would have also noted the cash position as of 31st December, which is at INR2,600 crores positive.

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

Chandramouli Muthiah: My first question is just around the non-truck business mix. So I think over the past 3 to 6 months, you've seen a meaningful pickup in the truck business, which has added to profitability and growth for the broader business. But just trying to understand, you did mention in the prepared remarks that you have won some defense orders. So in this faster growth period for trucks, I just want to understand if you think the non-truck business components can also grow equally as fast and maintain that mix in the way you sort of plan for your margins over the next 12 months?

K. M. Balaji: It is happening, Chandramouli. First of all, thanks for your question. It is happening. So if you look at the truck portion of the overall revenue, when you compare it to the same period last year, it is around 55%. Current year, also 55% last year, 55%. But if you look at the proportion of the businesses like IO, which was around 6%, now it has grown to 8%.

So I mean, it is happening. These kind of shift is happening in select pockets. That's why you are seeing the margin going up when you compare it to the same quarter of the last year, from 12.8% to 13.3%, it is all because of the efficient management of the mix also - the business-wise revenue mix also.

Shenu Agarwal: Yes. Like I said, even with the strong growth in the truck segment, our Power Solutions business was 45% up in Q3 Y-o-Y. And our defense business is 84% up Y-o-Y, right? So I think -- I mean while I agree that truck is going through a strong momentum, but the other businesses are even stronger right now.

K. M. Balaji: Exactly, Shenu, from 1% defense share of revenue has gone to 1.5%. And Power Solutions business, the share has gone from 3% to 3.6%.

Chandramouli Muthiah: Got it. That's very helpful. My second question is just around the dedicated rail freight corridor -- Northwest corridor extension to Jawaharlal Nehru Port. So I think that was earlier planned to be sort of a March quarter event. Now it looks like it's getting pushed out. So I just want to understand, you mentioned that this could be a year of two halves where April to October is very favourable base and strong momentum post GST, and we'll have to see maybe what happens after that. So the latest on the dedicated rail freight corridor or from the way you are observing it, is this likely to happen in CY '26 on the JNPT extension?

And how do you think about that event? And what are the potential options available to Ashok in terms of offsetting whatever impact that would be from that?

Shenu Agarwal: See, the deadline for the completion of the last leg of 100 kilometers of this Western dedicated freight corridor has been extended multiple times. And we would wait for the actual commencement of the operations. However, this WDFC is operational by about 95% it is complete and has been operational for more than a year.

With respect to its impact on this TIV, we have said this earlier also that DFC do not address the full connectivity, in the sense that the last mile connectivity it is not there. Though it could have some impact on the specific segments, maybe on the tractor trailer volumes post the commencement of the full operations, there will be positive impact on the volumes of ICVs and the LCVs required for the last mile connectivity. Having said that, we expect the impact to be very, very minimal. Even on the tractor trailer side, it will be very minimal over the next 2 to 3 years.

Moderator: The next question is from the line of Pramod Amthe from InCred.

Pramod Amthe: We want to check your product profile, considering the start of a new up cycle as you are indicating. Do you need to take into account the -- any product gaps you want to address or the type of demand, which is coming up, you need to advance new product launches as compared to our earlier plan?

Shenu Agarwal: Yes, we are taking some actions. I mean, irrespective of the current situation, we are taking some actions as to how we can increase the agility of our new product development process. We are actually working on -- we have actually institutionalized digital tool now to track daily activities, etcetera, which actually creates a lot of collaboration within the company on new product development activities which we think will bring a lot of transparency, a lot of visibility, a lot of ownership and a lot of priority also in terms of which projects we want to speed up and which projects we may want to kind of pause on or run at a slower speed.

So those actions are in place. But like I said, our product -- overall product development pipeline is very, very strong. You would see like a big launch we have done now with HIPPO and TAURUS. And also, we have come up with this 4.1 ton, BADA DOST with a best-in-class payload, you will see many such launches happening in the future, even in this calendar year.

And also, our overall product road map is quite clear, product and technology road map. So what we want to do, how do we want to address our white spaces in the LCV segment, how do we want to increase our LCV coverage to 50% from 50% to 80%. So those are already being -- all those actions are already being undertaken.

Pramod Amthe: Thanks for that answer. And the second one is with regard to subsidiary investments. There seems to be pretty low compared to your own guidance or historical trends. What is -- are the subsidiaries performing better and hence, the ask rate is low? Or you feel last quarter you need to finish out things?

K. M. Balaji: No, no. Actually, Pramod, the subsidiaries are doing fine. I mean many of the subsidiaries are doing fine, and you know that we have also got out of this assembly facility from the Switch UK last year, which was the main cash guzzler. So the rest of the companies are all doing fine. And if they require capital infusion, we'll do it as and when it is required.

As I indicated to you, there could be some requirement of the capital on OHM, which Shenu touched upon, INR300 crores plus another INR300 crores, we have not yet released. We look for the requirement and then we'll release. In our expectation, we may release about INR100 crores, INR150 crores on OHM front.

And on the requirement for this Hinduja Leyland Finance as well as this Hinduja Housing finance, we will appropriately decide depending on the requirement because those businesses are also growing significantly. You would have noticed the AUM growth significantly around 20% or so. So we would like to invest there also.

And of course, the third one, as I told you, there are certain unfinished loans which are there outside India, where we would like to finish off those loans also, especially relating to the Switch UK. We'll do that also, which we disclosed in the earlier conference call. So that is all we'll do Pramod. No surprises.

Shenu Agarwal: There are no surprises. We have already earmarked this money for the reasons that Balaji just described. So they will happen on -- in the right time when needed. But I would say most of the subsidiaries are doing well. I don't foresee any huge investments or significant investments for loss funding now, having dealt with Switch UK already. So yes, mostly whatever funding happens other than that Switch UK loan would be for the growth of these subsidiaries.

Pramod Amthe: Sure. Thanks and all the best.

K. M. Balaji: The Switch UK loan, we carry and we can pay in a bullet installment after 3 years that is in FY '29 we can repay, but we would also looking at a plan of repaying it in installments also in two or three installments also.

Moderator: The next question is from the line of Rishi Vora from Kotak Securities.

Rishi Vora: Congratulations on good set of numbers. If I just look at the previous up cycles, right, '15, '16, '22 to '23 over -- least at that time, the tonnage growth had outpaced the volume growth for the industry. And if I look at third quarter of FY '26, again, it's too little data. But at least it seems like the tonnage growth has actually underperformed the volume growth?

So this time around, do you expect that the up cycle would be a little different from what we had seen at least in terms of quality of growth? Or do you expect it to kind of converge and then the tonnage growth outpaces over the coming quarters?

Shenu Agarwal: No. So Rishi, I mean it's a very nice question. But listen, this tonnage growth would continue to happen at a regular pace. But that pace would not be very, very strong, right? But you should keep one thing in mind, because it has not happened so far, doesn't mean that it will not happen in the future.

That lower and middle level segments would also have a long term -- very solid long-term potential because of the last mile delivery because of the e-commerce, etcetera, those really have a long-term potential. So I think tonnage will keep going up and down as the various sectors perform. But the key fact that we are looking at is right now is this replacement cycle.

Is this fresh replacement cycle that has kicked in? Or is this just a short-term fillip from the GST. Now 3 months have already gone. February also, we are seeing very strong momentum on the ground, right? I mean, in terms of leads and inquiries and the cases that are locked in with the banks and NBFCs, etcetera. So now it seems like after 3.5, 4 months, it seems it is something that is going to sustain for a longer period.

Rishi Vora: Understood. And my second question is just on this average age, right, which is roughly about 10 years. Now with better quality of roads, better quality of vehicles, is it necessary that the average age of the vehicles need to come down? Or this is like a new norm, 9 to 10 years for the industry where the fleet operators are okay with this kind of age?

Shenu Agarwal: Again, great question. I mean average is always sometimes and most of the times can be very misleading. I think what we should look at is how many vehicles we have now as compared to in the past, that are more than 15 years that are more than 12 years. Also, we should look at how many vehicles we have now, which are still on BS II, BS III, BS IV regime. That is a better data point to look at to see whether this is sustainable or not.

So when you look into those details, and I think Balaji has shared those numbers with you in the past also. If you want those numbers, we have those ready, we can share these with you separately. But when you look at those numbers, you will -- I think you will realize that this has to change.

Moderator: The next question is from the line of Prashant Kothari from Pictet.

Prashant Kothari: Just one question for me on the financing business. I see from segmental results that the profits are down Y-o-Y basis. Can you comment on what is happening there, please?

K. M. Balaji: Pardon. We are not able to clearly hear you, Prashant.

Prashant Kothari: Is it any better?

K. M. Balaji: Yes. Now it is better.

Prashant Kothari: Okay. I just wanted to understand on the financing business, I see that the segmental results, the profits are down on a year-on-year basis. Can you just explain what is happening there, please?

K. M. Balaji: As such...

Shenu Agarwal: Just give us a minute, he's just picking up some data.

K. M. Balaji: Actually, it has gone up, Prashant. When you look at the quarter, same quarter, third quarter versus third quarter of last year, the profits have gone up. HLFL standalone, it has gone up from about INR107 crores, 108 crores to INR130 crores.

Prashant Kothari: I'm sorry, I'm looking at segmental results, financial services. Last year same quarter was INR231 crores and this year...

K. M. Balaji: I will clarify that; I mean which segment you're looking at. I will take that question separately and then I'll clarify it to you. But as such, there has only been an increase in HLFL standalone.

Prashant Kothari: All right. And do you disclose that somewhere else? Or is it just in with your MIS?

K. M. Balaji: No, no, it is the part of the financials. I will just take your question. I mean, where from you have taken that number, I will understand. Then I will respond to that.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for the day. I now hand the conference over to the management for closing comments.

Shenu Agarwal: Thank you. Thank you, ladies and gentlemen, once again for your time, for this call and also your trust in Ashok Leyland. We are, as an industry, going through a lot of positive momentum, although we are also trying to navigate some challenges. So -- but we hope that we will have a good quarter and a good year to close with. Thank you very much.

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