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Buy Ashok Leyland; target of Rs 140: Dalmia Securities

Dalmia Securities is bullish on Ashok Leyland has recommended buy rating on the stock with a target price of Rs 140 in its research report dated September 12, 2017.



Dalmia Securities' research report on [Ashok Leyland](#)

Ashok Leyland Limited (ALL) is the second largest manufacturer of commercial vehicles (CV) in India with market share of 18.8% in domestic CV market and 37.4% in Medium and Heavy Commercial Vehicles (M&HCV) market. Globally, ALL is fourth largest manufacturer of buses in the world and the 16th largest manufacturer of trucks. ALL have seven manufacturing plants in

India and one plant at Ras Al Khaimah (UAE). Their annual installed capacity stands at 150,000 vehicles in India.

Outlook

We expect over 6% volume CAGR over FY17 – 19E, led by expanding distribution network, widening product portfolio and recovery in economic activity. Revenue is expected to grow at a CAGR of around 15% over FY17 – 19E, led by volumes growth (by export and new launches) and price hike. We estimate EBITDA margins to remain at 12% in FY17 – 19E and net profit to grow at a CAGR of 28% in FY19 led by operating leverage benefit and reduction in interest cost. We have BUY rating with target price of INR 140 based on SOTP (12x EV/EBITDA FY19E + 2.5x book value of HLFL).

For all recommendations report, [click here](#)

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