ASHOK LEYLAND
Koi Manzil Door Nahin

May 30, 2023

National Stock Exchange of India Limited
Exchange Plaza,
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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,

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 24, 2023 to discuss the financial results for the quarter and year ended March 31, 2023.

We request you to take the above on record.

Thanking you,

Yours faithfully,
for ASHOK LEYLAND LIMITED

NATARAJAN RAMANATHAN

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N Ramanathan
Company Secretary

Encl : a/a

"Ashok Leyland Limited

Q4 FY '23 Earnings Conference Call"

May 24, 2023

MANAGEMENT:	**MR. DHEERAJ HINDUJA – EXECUTIVE CHAIRMAN – ASHOK LEYLAND LIMITED**
	MR. SHENU AGARWAL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ASHOK LEYLAND LIMITED
	MR. GOPAL MAHADEVAN – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – ASHOK LEYLAND LIMITED
	MR. K M BALAJI – DEPUTY CHIEF FINANCIAL OFFICER – ASHOK LEYLAND LIMITED
MODERATOR:	**MR. JINESH GANDHI – MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Ashok Leyland Q4 FY '23 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited.

As a reminder, all participants' lines will be in a listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during a 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. Jinesh Gandhi from Motilal Oswal Financial Services Limited. Thank you and over to you.

Jinesh Gandhi: Thank you, Renju. Good afternoon, everyone. On behalf of Motilal Oswal Financial Services, I would like to welcome you all to fourth quarter and FY '23 post results conference call of Ashok Leyland.

Ashok Leyland is represented by Mr. Dheeraj G. Hinduja, Executive Chairman; Mr. Shenu Agarwal, Managing Director and CEO; Mr. Gopal Mahadevan, Whole-time Director, and CFO; and Mr. K M Balaji, Deputy CFO.

Would like to thank the management for taking time out for this call. I would now hand over the call to Mr. Hinduja for his opening remarks, post which we will start Q&A. Over to you, Mr. Hinduja.

Dheeraj Hinduja: Thank you. Good afternoon, ladies, and gentlemen. It is a pleasure to have you at the Ashok Leyland Q4 FY '23 Earnings Call. I thank you very much for the interest shown in Ashok Leyland.

At the beginning of the year, we have set out to achieve the following objectives: improve our market share on a pan-India basis, continue to launch industry-leading products, refresh and strengthen our network, grow our non MHCV business, improve operational efficiency and reduce costs, drive bottom line improvement, generate cash, improve returns, and improve the performance of our subsidiaries.

I'm happy to state that we have been able to check all the boxes and the strategy will continue in the coming year as well. We continue to be the most profitable CV company in the country today, and we will continue to pursue leadership on that front along with growth and market share.

Speaking on market share, FY '23 has been a remarkable year as we enhanced MHCV market share across regions and product segments, which was done profitably. At the end of the year, our MHCV market share was at 31.8%, 4.7% higher than the previous year. The AVTR range has been a true differentiator and instrumental in the growth of MHCV business.

We have grown the share in MHCV in MAV, haulage, tractor, and Tipper. While we gained market share in ICV trucks by nearly 5%, we are now focused on expanding the ICV range to enhance our presence further. This is clearly an opportunity for us. We are also very well geared to capture the opportunities in CNG when the market opens up again.

As we have shared with you at the beginning of last year, the bus market is fast expanding with COVID lockdowns behind us, we are witnessing growth in all segments of bus market as well. As discussed, we plan to expand the bus portfolio, especially in the ICV range. We will pursue market share growth by filling in product gaps and expanding our network. The focus now is to expand market share in the North and East where we believe that we can scale up to 30% in the first stage. This will help Ashok Leyland breach the mid-30 market share points. While our international business saw volume growth of 2.5%. You must use this in the perspective as other large players witnessed a decline of 30% to 40% in export volumes. FY '24 should see further growth in exports as well.

All non-MHCV businesses, such as aftermarket and power solutions have shown healthy growth. LCV market share was marginally down by 0.7% over FY '22 due to chip shortages experienced at the first half of the financial year.

Going forward, we will be expanding the LCV network in the non-South region, and this should help for further growth. Research houses have predicted a growth of CV TIV of 8% to 10% in FY '24. We believe this is very much possible. Ashok Leyland's aim will be to beat the industry growth.

FY '24 CV demand is likely to surpass the previous peak of FY '19. The growth in TIV will be supported by government infrastructure spending, strong replacement demand and a healthy traction from core industries like steel, cement, and mining. CRISIL expects 88,000 MHCVs and 57,000 LCVs to get replaced in FY '24.

As mentioned, bus sales are set to grow at a faster pace due to sharp increase in mobility post the pandemic. Further growth is possible with enforcement of scrappage policy as well as increasing urbanisation and replacement of the JNNURM buses bought in FY '10- '13.

Tonnage addition is expected to further improve due to better product mix that is trend of higher growth in MAV and tractor trailer demand. Factors driving the long-term MHCV sales will be A. Improvement in industrial activity in the country, B. Steady agricultural output, and C. The government's focus on infrastructure.

Commodity prices are expected to soften in FY '24 and this tailwind along with better realization should help industry margins to improve further.

Ashok Leyland will continue its market share enhancement, revenue optimization cost reduction and cash flow management and aim for significantly better financial outcomes in FY 2024.

Auto Expo held at Delhi in January this year, provided a great opportunity to demonstrate our technological readiness for the future. Ashok Leyland displayed a wide range of alternate fuel products ranging from CNG and LNG to battery electric, to hydrogen ICE and even fuel cell across LCV, ICV, and MDV platforms. The Electric Vehicle Business Housed under Switch is crucial for future-proofing Ashok Leyland.

While we continue to look at external investors, Ashok Leyland plans to invest in Switch directly. The investment may be to the tune of 1,200 crores progressively. Ashok Leyland's balance sheet is strong enough to support this initiative. During FY24, Switch plans to launch the E Dost, E-Bada Dost, followed by the 12-meter E bus for the Indian market, and then the E-1 bus for the European market. Switch's presence is growing, and I'm happy to share that our products are performing extremely well. I will now quickly run you through the Q4 and full year performance.

Q4 revenue stood at a record Rs. 11,626 crores, 33% higher than the previous year.

Q4 EBITDA of Rs. 1,276 crores were 11% as against 8.9% in Q4 last year.

Q4 PBT before exceptional items has more than doubled to Rs. 1,068 crores as against Rs. 528 crores in Q4 of last year.

The PAT before exceptional items was Rs. 695 crores versus Rs. 431 crores in the previous year.

The company generated cash Rs. 2,280 crores during the quarter, and AL was net cash positive by Rs. 243 crores at the end of FY '23.

For the full year FY '23, revenue stood at Rs. 36,144 crores, which is higher than last year by 67%. This is actually the highest ever revenue reported by Ashok Leyland.

EBITDA is almost tripled and stands at Rs. 2,931 crores. That is 8.1% and up from Rs. 995 crores, which was 4.6% last year.

PAT, profit after tax after exceptional items for the year has gone up 2.5 times and is that Rs. 1,380 crores versus Rs. 542 crores in FY '22.

Operating working capital is negative at Rs. 232 crores as against negative of Rs. 1,565 crores for last year.

Capital expenditure for the year is at Rs. 502 crores against Rs. 400 crores in the previous year.

Net debt as of 31st March 2023 was negative at Rs. 243 crores as against Rs. 720 crores at the end of FY '22, making Ashok Leyland as cash surplus company. I wanted to share 2 final points with you before I open the floor for questions.

One, we remain very positive and optimistic on the future of electric vehicles and Switch is very well positioned compared to many of its global competitors. Two, going by the positive developments in the industry, we believe Ashok Leyland is well poised to deliver double-digit EBITDA margins in the current year, and we plan to aim for mid-teen EBITDA targets in the medium term. Thank you.

Moderator: Should I open the floor for questions?

Dheeraj Hinduja: Yes, please do.

Moderator: Thank you. First question comes from Chandramouli Muthiah from Goldman Sachs. Please go ahead.

Chandramouli Muthiah: My first question is on the other expenses line. I think there's been some impressive control quarter-on-quarter. The other expenses have grown 22% Q-o-Q versus top line, which has grown close to 30% Q-o-Q. So if you could share some color on drivers of the expense discipline and what sort of run rate we should consider heading into the next fiscal?

Gopal Mahadevan: See Muthiah, as I have mentioned and as Dheeraj mentioned, we have been having a considerable amount of cost -- I won't say it reduction, but optimization. So we've been actually channelling the overall expenditure into the right things and administrative overhead, typically, which is part of the other expenditure, which is approximately about Rs. 600 crores spend, I mean, give, or take some crores.

This is something that we have actually been able to retain it at something like 2015, 2016-17 levels without inflationary impact. So that has been very crucial for us and middle line management. So we did 2, 3 things if you would notice in the current year, what has been special about the company's performance.

EBITDA margin in Q1 was 4.4%. It went to 6.5% in Q2, it went to 8.8% in Q3 and then it was 11.0% in Q4. So you could see two, three things happening. Steady improvement in margins and faster rates of improvement in margins. This has happened because of realization improvements, operating leverage because of higher volumes and that operating leverage has happened because we have been able to rein in the expenses.

But you can do a trend line now going by the last 4 quarters or even for the last few years because what has happened is we are forecasting about as Chairman mentioned -- I'm sure you're going to hear Shenu also say this, that we are expecting the industry to grow this year, I mean all the research agencies have also mentioned that there is a 10% to 12% growth. When that happens, what we would want to do is to ensure that we secure operating leverage on that growth and improve the bottom line further.

Chandramouli Muthiah: Got it. That's helpful. My second question is on the prevailing structure for the EV business. So is there a potential for EV buses to be sold maybe to a third-party leasing company, which can in turn sort of lease them out to the various municipalities and states, so that there is maybe less capital blockage at the CV OEMs. Is this a business model that can be worked on like the way aircraft leasing work today?

Gopal Mahadevan: Dheeraj, shall I take it?

Dheeraj Hinduja: Sure, go ahead.

Gopal Mahadevan: No. I would put 2 large mega trends on this. One is EV business is here to stay and grow. And you are going to see a faster acceleration in EV business, which is why, as Chairman mentioned, we are extremely confident about our tapping the potential of EV and we will continue to invest into this business. It's very, very important for us.

The second one is, the EV business is still nascent and business models are evolving in India, which is possibly different from what is happening in the rest of the world. So one of the first things that has happened, which you rightly mentioned, but it does not happen the way aircraft leasing has happened has been in e-Mobility as a service.

So we would possibly see even at operators buying these vehicles from OEs such as ours, and then having an operating model where they will cater to the requirements of either intercity transporters or STUs or even within the state / within the cities. I think these operators are not going to go out of business. If the market changes to EV, we are going to swap their ICE buses to EV buses. That's all.

So we need to care as an industry, and we are making ourselves ready as a company, to ensure that we are catering to this segment. The second segment is STU businesses where we will see a mix of both ownership and e-mobility-as-a-service coming in. And the e-mobility service as things go further, will start to mature.

And will become even more profitable as the volumes start to pick up. Thirdly, there would be private sector ownership, where you have the institutions, the schools, and the private operators, which I talked about. So they would also start procuring this.

Ultimately, the whole trick about EV is that at the moment, the capital cost is higher, but the operating cost is negligible. Once these operators and some of the STUs start to secure funding, they may want to actually take up an ownership model. So we are actually keeping ourselves open for all 3 models.

Moderator: Next question comes from the line of Pramod Kumar from UBS Securities.

Pramod Kumar: My first question is on the current demand environment because the biggest -- what you say, concern what the street has on the CV cycle health as to where exactly we are and whether do we have another couple of years of growth?

Or this is going to be the last year of growth in terms of from a cyclical perspective. So if you can help us understand how's demand looking from your vantage points, especially in the recent weeks and as you look into the next month. Because there was visible prebuy in the fourth quarter. That is the expectation.

So how is demand looking on the ground? And how would you look at demand from a cycle perspective and in terms of just extending it beyond FY '24 guidance. If you can just help us understand on that.

Shenu Agarwal: Okay, Pramod, thank you for the question. As Dheeraj said, we are very optimistic about the industry, not just for this year, but we also think the industry would go for a long-ish positive cycle this time. Even the ground pulse from the customers from large fleet owners indicates that this will be a longish cycle. I mean for this year, like we said, most of the research houses are bagging the industry growth. Overall, industry growth at 8% to 12%. And we also think that industry growth should be in that direction. At least 10% or more. So yes, very optimistic.

I mean as far as the Q4 prebuying is concerned, that is a fact, some pre-buying happened in March. It may have some impact on April or maybe

May. But after that, we think that the growth would be back. And for the whole year, we are very optimistic.

Pramod Kumar: And Shenu, just extending that question...

Dheeraj Hinduja: If I could just add in over there just a few more points. And firstly, a lot of our business is very much dependent on the economy. And as you know, India is moving at a very fast pace and is expected to become the third if not the fourth largest economy. And in that context, the growth will go hand-in-hand for our business of commercial vehicles, trucks, and buses. Also, one other issue on international operations. I know we've spoken about this many times. But I'd like to emphasize that during the course of the last year, our traditional markets of SAARC completely crashed.

And irrespective of that, we were still able to grow slightly because of the expansion we've done in the Middle East and the African market. There is hope that during this financial year, many of the SAARC markets come back as well. So I would say that we are optimistic of international sales improving.

And as you are saying, looking outwards personally, we feel that the cycle for CV has this traditional growth of 3, 4 years. We've only had one good year so far. FY '24 is looking good. We don't see any immediate show blockers, which should indicate otherwise. And we do feel that this growth momentum should continue beyond FY '24 as well.

Pramod Kumar: Yes. And Dheeraj and Shenu both as in which of the categories where you're seeing strength, which is kind of giving the visibility and I understand the industry is got -- the fleet industry is got heavily formalized. So I think you can engage more with the large fleet owners and understand the on-the-ground situation. If you can just help us understand pockets of strength in terms of the fleet side?

What's working well? And where do you see further upside like categories like buses, for example, if you can make some comment on that? That would be helpful.

Dheeraj Hinduja: So I would say that for us in this last year, we have -- as I mentioned, we have grown in every product segment. And the growth definitely seems to be across the board, although the LCV segment has not grown as fast as MHCV and even the predictions for this year are in the range of around 5%, 6%. But barring that, I think we remain quite optimistic from ICV to MAV, tractors, haulage. They are all showing quite positive signals. Shenu, would you like to add something?

And on the buses as well, Shenu, if you'd like to expand that.

Shenu Agarwal: Yes, yes. So like Dheeraj said, I think this overall momentum will continue in most of the segments. We have done very, very well in MAV, tractor trailers and tippers in the last year as is evident from our numbers. ICV is, I think, one area where we have a lot of headroom, both in buses and trucks. So we are preparing ourselves with beefing up our products, beefing up our network on this.

I think in FY '24 and beyond, we would like to put an extra focus on ICV segment because of just the headroom available there. I think on the bus side, the growth expectation is actually close to 30% or more because buses are coming out of a very, very low base after the pandemic.

So you know we are very, very strong. Ashok Leyland is very, very strong in the MDV side of the buses. So we are going to -- we hope to gain from that momentum, that growth momentum. Even on the ICV side, as I said, we are putting a lot of more focus now on both trucks and buses. And we hope to gain substantial market share there as well.

Pramod Kumar: And Dheeraj, you made comments in your opening remark about single as in margins in the peaks. Can you just help us understand that a bit more because that's actually quite surprising to hear given how the cost base has moved for the industry, right?

Because percentages trying to push margins higher is like actually quite ambitious, given how inflation of the environment has been. So can you just help us understand what's giving you that confidence? What are the factors which will drive this and whether the modular transition on the architecture side is also part of that story? If you can just help us, give more -- get more color on that, sir.

Dheeraj Hinduja: Sure. I think, look, one of the key areas for us that has helped us gain our market share as well as the product performance of the AVTR range in BS VI has been very good. And we have explained this in the past. The advantage of having this modular program has been that we've been able to rationalize the lot of our supply base, which has led to a lot more efficiency as well. And as Gopal was explaining, a lot of internal cost control has been achieved.

And as we see with the softening of the commodity prices comes in as well, we do feel the opportunities of achieving double-digit EBITDA margins and moving that further into the future should be possible with the volume growth as well, market share growth, volume growth, we are going by the performance of the last financial year, quite optimistic in terms of having identified pockets where further cost reduction opportunities exist. And as I said, the product range itself -- the modularity does help us significantly.

Moderator: Thank you. Next question comes from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf: Just in continuation to the previous couple of questions on pan-industries Could you give some sense on the current, say, in FY '23, how was the replacement mix versus, say, new fleet addition mix in terms of the customer profile? And typically, with your experience of the previous cycles, how does this mix change as you approach the end of the cycle? Could you give some sense of that?

Gopal Mahadevan: Well, it's an interesting question, but this industry is still a little bit unorganized. But I think there are 2, 3 things that we have to remember in FY '22-'23, one of the key things that has happened is there possibly has been increase in primary demand.

The primary demand is coming because for the last 2 to 3 years, which you noticed there has not been any major demand at all. After FY '19, we thought that FY '20 will be a great year after -- before the launch of BS VI, but it was a flattish year.

After 20-21, '21-'22, we're virtually kind of -- there was no real demand. So to answer your question, our internal estimates tell us that a lot of this has actually come from primary demand. That is why we are also optimistic about at this point in time that we're sitting in the month of May, we are optimistic about the growth in '24. Because of 2, 3 reasons. One, the mix of large fleet operators versus first-time buyers, first-time users, the tilt in FY '22, '23 has been more in favour of large fleet operators. The full first-time users have not come in because of 2 reasons again.

One, they are also waiting for the industry to mature demand to keep going up. The second one is interest rates have also been high. So we are actually yet to see the full potential of first-time users coming into market. The second thing is replacement demand will start kicking in now because we believe that just as Shenu had mentioned or Dheeraj had mentioned, I think this industry has a bit of potential because --what is happening is, on one side, there is a lot of regulation coming in on environment, pollution, ESG. The government is pushing for clean energy, etc.

On the other side, we are a country where you have vehicles from BS II to BS VI plying. The third aspect of it is that the government itself has visibly started the scrappage policy but it is for maybe government-owned vehicles at the initial stage. But what is going to happen is this catch up is going to happen. And in the years to come, possibly it will start in '24, it may go to '25, '26 you are going to see the replacement demand kicking in. And you will see that, that is going to be one more aspect that will drive the CV demand. What the growth rates are, little difficult to tell. But the other tailwind that may come up is we have seen the peaking of interest rate. And even with the high interest rates in the last year, what has been surprising has been the level of demand that has come in.

I mean the last year the industry has grown at about 40% or so. And this has been, with a certain amount of challenges built into it. This year in macro terms will be relatively easier but with a higher base. But even with this, if we have a 10% to 12%, it's a very good thing for the industry.

Mukesh Saraf: Sure, sure. And secondly, on pricing, could you give some sense on what kind of price hikes we've taken so far. And how is the absorption of that price hike in relation to how the discount is moving?

Shenu Agarwal: Yes. I think, see, firstly, I would like to say that there is, I think, a big realization in the entire industry. That our industry is going to change in the years to come, right? I mean there for all the players like Ashok Leyland have to invest in the future. And for that, we cannot just remain at the levels of EBITDA that we are as an industry. I think that realization is definitely there that we have to increase our profitability level.

Now in terms of price realization, like Dheeraj explained, I have been in the market myself within a lot of customers and dealers. And definitely, this new modular AvTR platform-based products are being accepted very, very well.

I mean, especially in the higher tonnage in the tipper in the tractor trailer and MAV segment, there is a lot of pull because of this new platform.

And on back of this strength, we have been able to have much better price realizations last year. And I think we still have headroom there. I mean we will play it by the market, I mean, how the market behaves. But definitely, there is an opportunity there. There's no doubt in that.

Mukesh Saraf: Sure. That was helpful. Any numbers you would like to give on the price hikes taken so far in the month of April and May.

Gopal Mahadevan: In April, we took about a 2% price increase. Just like Shenu mentioned, what is happening unlike in the past, is the retention of the price hike is almost 80% to 90%. So we are not increasing the price and increasing the discount. The industry is also not doing it. And you know it in Leyland, we have never been actually wanting to do this as a leading practice.

So for us, we are extremely happy about the outcome, because this has been a great year for the industry. And why should we sell it at such low margins, there is no necessity for it. For the industry to be sustainable, we need to improve pricing and we are seeing that happening in the current year.

And I would also add one more positive in this. I mean, not to sound overly positive, but these are facts that all of us know. One is pricing retention has been better. The second one is commodity prices seem to be coming off. right? So the industry was to deal with this intelligently, it should actually shift its margin base to the next level. That's what should be the outcome of this. Let's hope it happens.

Moderator: Next question comes from the line of Gunjan Prityani from Bank of America. Please go ahead.

Gunjan Prityani: I had two questions. First is eventually a clarification on some of the comments that you've made. 2% price increase in April, does this pertain to the BS VI Phase II RDE transition?

Shenu Agarwal: This is Shenu. Yes, I mean, we have had some impact of OBD II norms, but not a big impact. But this is a general price increase to cover rising cost as well as to increase our margins.

Gunjan Prityani: Okay. So the RDE related cost is fully passed through?

Shenu Agarwal: Yes, it is.

Gunjan Prityani: Okay. And the second clarification was on this commodity pricing cooling off. I just wanted to get an understanding as to how much of the tailwind from commodities we saw in quarter 4. And when you are looking into the next 1 or 2 quarters, are we seeing there is some pending benefits still to come in because of metal corrections, steel contracts, whatever that you have visibility on?

Gopal Mahadevan: Hey Gunjan, what has happened is last year, the peaking happened in the beginning of the year, where there was a huge increase and all of us are expecting steel prices to go further and further up etc. But then we found that there was a confluence of both domestic and international factors which resulted in the pricing cooling off a bit.

But again, in the fourth quarter, the challenge was that coking coal prices started to shoot up. And then the steel prices started to inch up a bit. What is happening is, as you know, in this industry, especially when buying of steel is concerned, there is always a 2-month quarter lag in the settling of the prices.

So we expect that when we settle the prices, there could be a little bit of pricing done on the Q4 range itself or maybe slightly lower. But after that, we know that China's demand has cooled off again significantly. There are other countries like Australia, which are waiting to export out because we are also seeing a domestic glut there.

So we are -- the outlook on the steel prices for the current year is that we would see prices coming off in -- Q2, Q3, Q4 itself. So if this were to happen, which is going to be pretty good for us because the industry benefits immensely from steel price reduction.

Gunjan Prityani: Okay. Got it. That's helpful. My second question is on this investment that you've called out on the Switch mobility business, which is Rs. 1,200 crores progressively. And there's about Rs. 200 crores some in ICDs this quarter itself. So just a clarification, does this pertain to Switch?

And I want a broader understanding of we were looking to raise money externally and now we're looking to infuse this capital. This will be done over how long? I mean if you can quantify the period? And what will these investments go towards, some color around that will help.

Gopal Mahadevan: Well, let me first clarify this. Maybe we should have called it a short-term loan or a loan instead of calling it ICD. This is only for Switch -- okay, for the operations of Switch. There is a lot of integration, by the way, between the operations of Switch and Ashok Leyland in India.

As I told you, one of the most important, you heard Chairman say that you're very extremely bullish about Switch. So it's why are we talking about that, first of all, because Switch is backed by a 75-year-old experienced MHCV player like Ashok Leyland and one of the world's largest bus manufacturers and with its own network relationships understanding of the product, understanding of the applications, etc.

So this is certainly a benefit that Switch is having and that is how, Switch is actually gaining acceptance very quickly in India. Now the second bit of it is, while we are looking for investors, what we said is while we will continue to look for investors, we would want to ensure that the business plan of Switch continues and is on track. Because for us, this is not just another company. This is we are trying to address the future of ssAshok Leyland while ICE will continue and continue for a long time.

EV is going to gain more and more traction and maybe even H2 ICE for that matter, right, alternative forms this energy. Now when we're doing that, we want to ensure that we are able to fund the operations. So to answer your question, yes, the Rs. 200 crores, which was given earlier, which declared is a loan that is given to Switch India.

Now the investment horizon that we're looking at, which Chairman had mentioned about Rs. 1200 crores will be spread out in tranches, maybe over next 12 months. We will again revisit this. The balance sheet of Ashok Leyland is very strong, and we have the ability to fund the expansion of Switch, and we will continue to do that.

Gunjan Prityani: And this is largely towards -- yes, sure, go ahead...

Dheeraj Hinduja: Yes. I was just going to add in most of this funding would be needed for completion of the programs of the new products. And I think one of the most significant products that we would be launching, and the first sales will be going into Spain in January is a brand-new development of a European 12-meter bus.

I think we would be the first electric Indian player to have developed a whole new platform. And we remain quite optimistic because this 12-meter bus has the potential for not only the European market, U.K., Europe, and the Middle Eastern markets as well. So this year is a very high capex year for Switch predominantly for the new products, the 2 new LCVs, electric Dost, electric Bada Dost. You've got the low floor 12-meter bus and the low floor 9-meter bus for the Indian market and then the low floor 12-meter E1 bus for Europe.

Moderator: Next question comes from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Good afternoon. Congratulations on a good set of results. Could you share your capex and investment plans for FY '24? And in what areas they will be going -- overall, your consolidated number?

Shenu Agarwal: Normally as a company we spend about Rs. 500 crores to Rs. 600 crores in capex. In FY '24, the amount is a little bit higher. It's going to be roughly Rs. 600 crores to Rs. 750 crores in capex. Some of it will go towards capacity augmentation and debottlenecking of our supply chain. But that would be not a major amount because we have enough capacity right now at least for next 1 or 2 years.

I think most of the capex would be on product development. And as I said, we have earmarked certain areas or certain product segments where we need to beef up our product offerings, including the international markets.

So most of the capex would be there. Also, as you know that in Auto Expo this year, we displayed a vast range of alternate fuel vehicles across the range, ICV, MDV buses, LCV, etc. So that capex has been going on for the last couple of years, and we just want to accelerate that further so that we can bring these products in the market in the next 1 or 2 years.

Kapil Singh: And for investments sir?

Gopal Mahadevan: So investments, I think, predominantly will be in Switch, which I think is what is being planned. Other than that, I don't see any major investment. I think Hinduja Leyland finance is already well funded. They had Rs. 900-plus crores of qualified institutional placement being done.

So we are not seeing any major investments coming in, maybe a small investment here and there to sustain some of the smaller subsidiaries.

Kapil Singh: So what is your consolidated net auto debt?

Gopal Mahadevan: Consolidated what? Sorry?

Kapil Singh: Net automotive debt, excluding the financing business.

Gopal Mahadevan: Consolidated debt Maybe you have another question while we take that number out.

Kapil Singh: EV I just wanted to check for Switch. We are investing with Rs. 12 billion next year. From when will the revenue start to flow and what kind of profitability do you expect from this business to start off with? Is it gross profit positive EBITDA positive? Any color you could give there? Anything on the order book that it has so that we can build revenue against these investments?

Gopal Mahadevan: Well, you see, as far as this is as Dheeraj mentioned, we have variants to be launched -- products to be launched in light commercial vehicle 2 variants, and then we have the 9-meter and 12-meter launches in India as well as in Europe, and these investments are going to take up quite a bit of the portion of the investment that we are planning into Switch. All we can tell you is see the market is evolving.

So in the initial period, one can't expect it to straight away, become EBITDA positive from year one. But in medium term, this business is profitable just like ICE business. We can possibly have greater color and share that with you in the later part of this year. Because it's a little too early to share numbers with you.

But all we can tell you at the moment is which is not a kind of Switch -- has got volumes already. It is actually doing both direct sale, which is not very significant, but e-mobility-as-a-service. We have supplied to BMTC Bengaluru Metropolitan Transport Corporation, Chandigarh Municipal Corporation than we have started supplies for BEST. We have a couple of private orders also where they are looking at e-mobility-as-a-service.

I'll tell you is that -- and this was -- don't hold me to the date. I don't have it readily, but I think 3, 4 years back, we were one of the first to start the whole e-mobility-as-a-service with the Gujarat, Ahmedabad Bus transport authority, and then followed it with Bihar. And what we can tell you is that with each passing order, we are getting better and better at this, we are actually extremely confident about the performance of the product and more importantly, also about the uptime of these products.

The uptime of these vehicles is at 99%. So it's something that we have understood and are able to do very, very efficiently. While we will continue to pursue Switch will continue to pursue and sell direct sales. With the launches of a larger product portfolio, we believe that the traction in the business will start to gain faster. And the market is also evolving because year-on-year now the market has started to grow. So you will have to wait for the growth in the market to happen over the current may be next couple of years. And you will see that the EV business volumes will start to scale up.

Moderator: Next question comes from the line of Pramod Amthe from Incred Capital. Please go ahead.

Pramod Amthe: This is related to your new products and market share ambition. If I have to look at -- you have recently got back your oldest customer and the largest key top operator has come back client, wanted to know, is it more of a reassurance of your new product? Or still the pricing game being played in the marketplace? That's one.

Second is, if I look at your market share on overall period you are at like 2 decades high with these exception in LCV. So what are new product launch timelines in the coming quarters and your ambitions on the market share in the short to medium term?

Dheeraj Hinduja: Sorry, I was just clarifying. Were you referring to the VRL order?

Pramod Amthe: Yes, exactly.

Dheeraj Hinduja: Okay. Yes, please go ahead, Shenu.

Shenu Agarwal: VRL order, we are very, very proud to get them back and they have been associated with us for many, many, many, many years. I think -- I mean, there are a lot of factors, not just one. I think one is just the relationship itself. And the other is, of course, the products are speaking for themselves in terms of performance and reliability.

And also, I think it has got a lot to do with the aftersales network also, the kind of service they have been experiencing from Ashok Leyland. I think it's on multiple accounts that we got that order back, and we are really proud of it. What was your second question about?

Pramod Amthe: Second one was related to a short- to medium-term market share ambition because you're already at a two decade high on the overall MHCV market share, if I have to look at near 18%. And how does the new product launch pipeline or timeline is to support these invasions?

Shenu Agarwal: Dheeraj has also said in his opening statement -- confident. But our goal is to get to mid-30s in the next few years in the near term, right? So that is what the focus is.

And the reason for that confidence is also very clear. I mean not just the product story but also the big laggards like in our journey were mainly the North and the East markets. But if you have -- if you see our market share in North and East in FY '23, we have had a very significant jump, roughly about 4% to 5%.

While we grew in -- I mean all the zones, but we are really happy about the North and East growth in our market share, which is already like touching 24%, 25% now. In the past, you would see like even in FY '22, we were kind of 20 or below 20. So that is giving us a lot of confidence because the network is shaping up.

We have the right profile of dealers coming up in the right places. We are setting up. We are investing a lot in our service reach as well. And customers have started appreciating that. So that gives us the confidence, not just the product on the product side, on the success of the AvTR modular platform, but also that we have been able to place the right set of dealers in the markets where we were traditionally weaker.

Moderator: Next question comes from the line of Shubam Shukla from Voyager Capital. Please go ahead.

Shubham Shukla: So my first question is about our debt level, like how much is our gross and net debt, like so far? And where do we see this going forward?

Gopal Mahadevan: Yes. I think Balaji will answer that while he's picking out the number, let me tell you that the whole strategy of the gross and net debt has been that we conservatively manage the debt to ensure that long-term debt is funding the long-term plan for the company. And we don't continue -- we don't use this aspect of when the cash is there to prepay the debt and then borrow, etc., because we would want to see consistent cash flows in the company. So what is happening, the long-term debt is about INR3,200 crores

K. M. Balaji: The long-term debt is at Rs. 2,900 crores.

Gopal Mahadevan: And if you're asking the short-term cash...

K. M. Balaji: Short-term cash is Rs. 3,150 crores.

Shubham Shukla: Okay. And our average cost of fund if you can provide?

Gopal Mahadevan: We'll tell you, I mean, but what we have done, while we can't give you that exact number at the moment. I'll tell you that the treasury team has done a good job in locking some of the debt at fixed rates and the interest rates were low. So some of the debt levels, I'm not saying the overall debt percentage is that. But some of the earlier debt that was taken as the seven quarter, which is extremely low when compared to the current interest rates.

Shubham Shukla: Okay. And later ones are like quite higher, like just like slightly higher than these numbers?

Gopal Mahadevan: It will obviously be gradually high. It won't be very high because we keep borrowing every year. I mean we see, irrespective of the cash that is there we need to manage long-term and short-term separately.

So while there could be some amount of carry, it doesn't matter because what happens is you must remember when in a situation like COVID, right, when the entire thing came to a grinding halt, it was this philosophy that actually helped the company. So we were able to not get worried at all about the long-term requirement of the company because that was already funded. What we needed was short-term money, which could go either through short-term loan or commercial paper, and we were able to get some of the finest rates.

So going forward, I don't see an issue on the debt profile of the company. Because even on a net basis, even last year, our debt is today hardly point. I may be wrong, and the number is 0.2 or 0.25. So there's sufficient headroom for us to borrow if there is a necessity.

But see at the rate that the industry is growing and with better improved margins, I believe that the pressure on the balance sheet for going in for debt will also be much, much lower.

Shubham Shukla: Okay. And on the capex side, like how much capex do we have in this quarter 4 full year?

Gopal Mahadevan: You want the quarter or full year

Shubham Shukla: Quarter 4. Like full year, I'm assuming it was supposed to be Rs. 600 crores for the year. And like so far, Q3...

Balaji K M: Q4 was around Rs. 180 crores.

Shenu Agarwal: Full year capex was close to Rs. 500 crores, not Rs. 600 crores.

Gopal Mahadevan: Not Rs. 600 crores was Rs.500 crores.

Shubham Shukla: Okay.

Gopal Mahadevan: Believe me, that is extremely efficient management. Please understand when a company is delivering what I wanted to share with you is at Rs. 36,000 crores of revenue. And at these levels of volumes, I think the manufacturing operation and product teams have done a great job in actually reining in the capex of Rs. 500 crores.

That's very, very important to note and be very clear that while we will ensure that we are invested for all future growth. And we are not going to short-change the future for the presence. So we will invest, but we are very, very clear that the whole organization is actually driving towards productivity.

Not only in revenue maximization, cost efficiency, but even in capex. So the operating teams are actually working and doing how do I better productivity out of this capex, out of the facility. And that is why we're seeing the trick of this Rs. 500 crores I won't use the word term trick, but I'd say the outcome of just INR500 crores of capex on a company such as Leyland.

Moderator: Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Dheeraj Hinduja: Thank you for your questions. I think I would just like to emphasize a few areas that I believe that I've heard that are concern, one is the continuing growth of the commercial vehicle cycle and whether beyond FY '24, the market will continue on a stronger note or not. Our firm belief is, yes. We believe the Indian economy is growing quite strongly.

And in conjunction with that, the commercial vehicle market will continue to grow as well. I also believe there are concerns with regard to Switch and the investors coming in to Switch. I think it's important to note that while many companies have started electric vehicle division.

We are one of the few that have successfully executed new products and which are running well. We have a further 2,500 confirmed order book for vehicles to deliver. We are one of the few companies that are operating in multiple geographies from India, SAARC, Europe, U.K. And we're very confident that we can grow this business very robustly for the future.

And finally, seeing the performance of the last financial year, we would like to emphasize that we remain very optimistic on our ability to perform equally well in the current year to grow our market share and at the same time, do it on a profitable basis with strong EBITDA performance as well.

So thank you very much once again for your interest. Shenu, anything else you would like to add

Shenu Agarwal: That's it Dheraaj. Thank you very much, everyone.

Dheeraj Hinduja: Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.