

**March 30, 2018**

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

BSE Limited  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai - 400 001

Scrip Code : ASHOKLEY

Stock Symbol : 500477

Through : NEAPS

Through: BSE Listing Centre

Dear Sirs,

**Sub: Intimation under Regulation 30 (4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Revision in Credit Rating**

Pursuant to Regulation 30(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the details of revision in ratings for the Company:

| Name of the agency | Type of instrument           | Amount Rs. Crs. | Existing           | Rating Action       |
|--------------------|------------------------------|-----------------|--------------------|---------------------|
| ICRA               | Non-Convertible Debenture    | 150.00          | [ICRA] AA (Stable) | [ICRA]AA (Positive) |
|                    | Term Loans (proposed)        | 55.00           | [ICRA]AA (Stable)  | [ICRA]AA (Positive) |
|                    | Fund based Limits            | 900.00          | [ICRA]AA (Stable)  | [ICRA]AA (Positive) |
|                    | Non-Fund based Limits        | 750.00          | [ICRA] A1+         | REAFFIRMED          |
|                    | Fund based Limits (proposed) | 200.00          | [ICRA] A1+         | REAFFIRMED          |
|                    | Commercial Paper             | 1500.00         | [ICRA] A1+         | REAFFIRMED          |

A copy of the report from the credit rating agency covering the rationale for revision in credit rating is enclosed for your information.

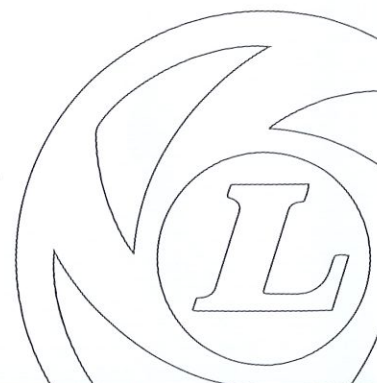
Yours faithfully,  
for ASHOK LEYLAND LIMITED



N Ramanathan  
Company Secretary  
Encl.:a/a

**ASHOK LEYLAND LIMITED**

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CIN: L34101TN1948PLC000105, www.ashokleyland.com



## Ashok Leyland Limited

March 30, 2018

### Ashok Leyland Limited: Ratings Reaffirmed; outlook revised to positive

#### Summary of rated instruments

| Instrument*                  | Previous Rated Amount<br>(Rs. crore) <sup>1</sup> | Current Rated Amount<br>(Rs. crore) | Rating Action                                     |
|------------------------------|---------------------------------------------------|-------------------------------------|---------------------------------------------------|
| Non Convertible Debenture    | 150.0                                             | 150.0                               | [ICRA]AA (positive) / outlook revised from stable |
| Fund based limits            | 900.0                                             | 900.0                               | [ICRA]AA (positive) / outlook revised from stable |
| Term loans (proposed)        | 55.0                                              | 55.0                                | [ICRA]AA (positive) / outlook revised from stable |
| Non-fund based limits        | 750.0                                             | 750.0                               | [ICRA]A1+; reaffirmed                             |
| Fund based limits (proposed) | 200.0                                             | 200.0                               | [ICRA]A1+; reaffirmed                             |
| Non Convertible Debenture    | 250.0                                             | -                                   | [ICRA]AA; rating withdrawn                        |
| Commercial paper             | 1,500.0                                           | 1,500.0                             | [ICRA]A1+ /reaffirmed                             |
| <b>Total</b>                 | <b>3,805.0</b>                                    | <b>3,555.0</b>                      |                                                   |

\*Instrument details are provided in Annexure-1

#### Rating action

ICRA has reaffirmed the long-term rating outstanding on the Rs. 150.0 crore non-convertible debenture (NCD) programme, Rs. 900.0 crore fund-based limits and Rs. 55.0 crore proposed long term loans of Ashok Leyland Limited (ALL / the company) at [ICRA]AA (pronounced ICRA double A)<sup>2</sup>. The outlook on long term rating has been revised from 'stable' to 'positive'. ICRA has also reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 1,500.0 crore Commercial Paper, Rs. 750.0 crore short term non-fund-based limits and Rs. 200.0 crore proposed short term fund-based limits of ALL. ICRA has also withdrawn the [ICRA]AA rating outstanding on the Rs. 250.0 crore NCD programme, as the same has been redeemed by ALL.

#### Rationale

The revision in rating outlook to 'positive' considers the expected strengthening of ALL's credit profile with favourable demand outlook for the domestic Medium and Heavy Commercial Vehicle (M&HCV) and Light Commercial vehicle (LCV) industry, its sustained market share improvement, and continued focus on operational efficiencies. Over the medium term, improving Gross domestic product (GDP) growth, thrust on infrastructure projects, and favourable regulatory environment (stricter implementation of overloading norms, proposed fleet modernisation program) shall support the M&HCV demand while LCV segment will derive support from the pent-up replacement demand and strong demand from consumption-driven sectors. With strong presence in the higher tonnage vehicle segment, good product recall, well-connected network and strong brand equity, ALL is favourable positioned to address the demand potential. ALL's long track record, experienced management, diversified board profile, improving profitability and strong financial flexibility with lenders continue to support the ratings. The ratings, however, remain constrained by exposure of ALL's earnings to the cyclical and competition in commercial vehicle (CV) industry and exposure to group companies although the extent of funding support has reduced in FY2018, as compared to the past.

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>2</sup>For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Credit challenges

**Earnings exposed to cyclical and competition in the CV industry:** Around 85% of the standalone and 75% of ALL's consolidated<sup>3</sup> revenues are derived from the CV segment; the industry exhibits significant cyclical linked closely to economic development, industrial growth, investments in infrastructure and regulatory changes (emission norms, scrappage policy etc). Volatile freight rates dependent on economic growth impact the viability of fleet operators and therefore demand for new CVs. Competitive intensity in the industry remains high with pricing pressure from existing and new players; nevertheless, ALL has sustained its market share in the recent years. Within the CV segment, the company is diversified across M&HCVs and Light commercial vehicles (LCVs).

**Exposure to group companies:** ALL continues to support few of its group companies towards loss funding and capital expenditure requirements, but the same has declined and is expected to further reduce going forward. Some of the current investments (like Optare, Albonair etc) are aimed at strengthening technological capabilities and achieving business diversification. Ability of the group companies to attain self-sustenance and support the consolidated cash flows will be critical credit monitorables.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Commercial Vehicle Industry](#)

## About the company:

Ashok Leyland Limited (ALL / the company) is the second-largest manufacturer in the Medium and Heavy Commercial Vehicles segment in India. The company is the flagship entity of Hinduja Group. ALL operates from six manufacturing locations with a total capacity of 150,500 units and its key products include buses, trucks, engines, and defence & special vehicles. ALL operates from six locations – one at Ennore (Chennai), two at Hosur, assembly plants at Alwar (Rajasthan) and Bhandara (Maharashtra) and one at Pantnagar (Uttarakhand). ALL's product profile includes commercial vehicles, buses, defence and special application vehicles like fire fighters at international airports and diesel engines for industrial, genset and marine applications.

## Key financial indicators (audited)

| Standalone                   | FY2016   | FY2017   |
|------------------------------|----------|----------|
| Operating Income (Rs. crore) | 19,397.5 | 20,512.5 |
| PAT (Rs. crore)              | 389.6    | 1223.1   |
| OPBDIT/ OI (%)               | 11.6%    | 10.7%    |
| RoCE (%)                     | 13.6%    | 18.4%    |
| Total Debt/ TNW (times)      | 0.45     | 0.35     |
| Total Debt/ OPBDIT (times)   | 1.07     | 0.97     |
| Interest coverage (times)    | 9.10     | 14.18    |
| NWC/ OI (%)                  | -3%      | -5%      |

Source: ALL, ICRA research

<sup>3</sup>Consolidated excluding NBFC operations

## ANALYST CONTACTS

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)