

April 2, 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

We wish to inform you that CARE Ratings Limited has upgraded the Long-term/Short-term Bank Facilities to CARE AA+; Stable/CARE A1+ and reaffirmed the Commercial Paper program as per details given below:

Name of the agency	Type of instrument	Amount Rs. Crs.	Existing	Rating Action
CARE Ratings	Long-term / Short-term Bank Facilities	2600.00	CARE AA; Stable / CARE A1+	Upgraded to CARE AA+; Stable / CARE A1+
	Commercial Paper	1500.00	CARE 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.

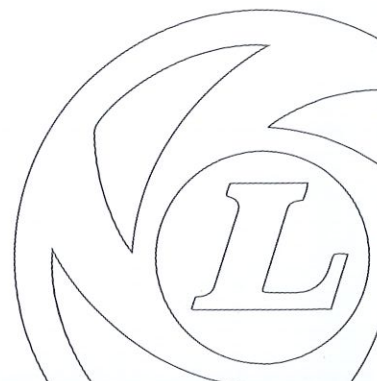
Yours faithfully,
for ASHOK LEYLAND LIMITED



N Ramanathan
Company Secretary
Encl.:a/a

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Ashok Leyland Limited

March 30, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term/ Short-term Bank Facilities	2,600	CARE AA+; Stable/ CARE A1+ (Double A Plus; Outlook: Stable/ A One Plus)	Revised from CARE AA; Stable/ CARE A1+ (Double A; Outlook: Stable/ A One Plus)
Total	2,600 (Rs. Two Thousand Six Hundred crore only)		
Commercial Paper	1500 (Rupees One Thousand Five Hundred Crore Only)	CARE A1+ (A One Plus)	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the long-term rating of Ashok Leyland Limited (ALL) factors in the continuous improvement in its financial position in the past three years ended December 2017 supported by its strong operational and financial performance. Resultantly the capital structure has witnessed significant improvement in FY17 (refers to period from April 01 to March 31) and 9mFY18 (refers to period from April 01 to December 31).

The ratings continue to draw strength from ALL being part of the Hinduja Group, ALL's long track record of operations with strong brand image & widening distribution network with pan-India presence, its strong market position in the domestic M&HCV segment, its presence in all sub-segments of the CV segment, low leverage levels and favourable growth prospects of the domestic CV industry in the medium term.

The rating continues to be tempered by moderate diversification of revenue stream with M&HCV segment accounting for significant portion of income and inherent risk associated with cyclical nature of the segment, ALL's exposure to group entities and increasing competition in the industry.

Going forward, sustenance of the market share in view of intense competition in the industry, extent of diversification of revenue in terms of geography & sub-segments, and significant change in debt levels would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Part of the Hinduja Group which has diversified presence across various industries

The Hinduja group, established in Mumbai in 1918 by Parmanand Deepchand Hinduja, has a global presence across more than 50 countries. The group has presence in various industries including Automotive, Banking & Finance, IT/ ITES and Energy & Chemicals.

Well qualified & diversified board of directors backed by an experienced management team

ALL's Board of Directors consists of a well-defined mix of independent directors and representatives from the Hinduja Group. The chairman, Mr. Dheeraj G Hinduja (s/o Mr. Gopichand P Hinduja) is from the Hinduja Group. The Board of Directors of ALL consists of eight independent directors. Mr. Vinod K Dasari (serves on the boards of various group entities) is the CEO & Managing Director of ALL. The Board of Directors is backed by an experienced top management team.

Long track record of operations with strong brand image and distribution network

ALL has a long track record of operations of 70 years. ALL has built a strong brand image over the years with a diversified product profile consisting of buses, trucks, light vehicles, defense vehicles, engines, gensets, etc., with vehicle weight ranging from 2.5 tons (T) to 49T, catering to the LCV-GC, M&HCV-GC and M&HCV-PC segments. Over the years, ALL has become a synonymous name in the bus segment, wherein it is one of the market leaders with vehicles ranging from 19 to 80 seats.

ALL's distribution network comprises of Dealer Outlets, Authorised Service Centers and Service and Support that Satisfies You (SASSY) units across pan-India. It is to be noted that while ALL has strong presence in Southern and Western India, its dealer network in North, East & Central regions account for 65% of total dealer network.

M&HCV Goods carrier (GC) Segment

With respect to the M&HCV (GC) segment, market share of ALL improved from 20.22% in FY12 to 33.2% in 9MFY18. It is to be noted that the success of captain range of trucks and U truck models helped ALL gain market share in the 25T, 31T,

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

35T & 37T segments. These are critical categories of trucks where bulk of haulage and tipper trucks, which are directly linked to the economic activities in the country are sold.

M&HCV Passenger carrier (PC) Segment

Over the years, ALL has become a synonymous name in the bus segment, wherein it is one of the market leaders with vehicles ranging from 19 to 80 seats. While ALL gained significant market share in the M&HCV (GC) segment in FY16, it has declined in FY17. During 9MFY18 the market share of ALL in M&HCV (PC) stood at 38%. It is to be noted that share of PC (passenger carriers) in total M&HCV sales volume (Domestic) stood at 17% in FY17.

Presence in LCV segment which provides diversification

ALL's wholly owned subsidiary, Ashok Leyland Vehicle Limited's (ALVL) first LCV (GVW < 3.5 T) named 'Dost' was launched in September 2011. This product is presently marketed across the country by ALL. LCV sales volume grew by 3.5% in FY17 to 31,770 units as against 30,695 units in FY16.

Low leverage levels

Total operating income of ALL has grown from Rs.10,006 crore in FY14 to Rs.20,042 crore in FY17 primarily driven by growth in sales volume and market share. Supported by healthy cash accruals, ALL has considerably reduced the debt levels which has resulted in significant improvement in the capital structure. During 9mFY18 also ALL generated gross cash accruals of Rs. 1,304 crore. As on 31st December 2017, the cash on hand with investments in Mutual Funds amounted to Rs.1,970 Cr. Total gross debt outstanding has declined from Rs.2,146 crore as on March 31, 2017 to Rs. 1263 crore as on December 2017. The net debt outstanding as on 31st December 2017 was surplus of Rs.707 Cr.

The overall gearing which stood at 0.45x as on March 31, 2016 has improved to 0.35x as on March 31, 2017 and further improved to 0.18x as on December 31, 2017.

Strong growth in 9mFY18 after a period of moderate growth in FY17

After a growth of 11.5% in CV sales (Domestic) in FY16, the CV industry (Domestic) witnessed moderate volume growth of 4.2% in FY17. During FY17, ALL registered 6% growth in the total income to Rs.20,166 crore supported by CV sales volume (including exports) growth of 3%. PBILDT margin during FY17 remained at 11.39% as against 12.17% in FY16.

The total operating income of ALL during 9MFY18 has improved by 24% to Rs.17,807 crore in FY17 as against Rs.14,370 crore in FY16 on the back of 19% growth in the total CV sales (including exports) in 9MFY18 on y-o-y basis. PBILDT margin during 9MFY18 was 10.22% as against 10.86 in 9MFY17. It is to be noted that post-merger HFL's business has seen turnaround in performance with EBITDA of Rs.33 crore in 11MFY18 as against loss of Rs.7.3 crore in 11MFY17.

Key Rating Weaknesses

Exposure to group entities which are strategic in nature

The company had planned to expand its scale and scope of operations, wherein it had invested in various associate companies and JVs, which are in related line of business. Total investments (net of provision for diminution in value of investments) stood at Rs. Rs.2,002 crore as on March 31, 2017 as against Rs.1,980 crore as on March 31, 2016. As on March 31, 2017, major chunk of investments was in its subsidiary, Hinduja Leyland Finance Ltd (rated CARE AA-; Stable/CARE A1+) which is engaged in lending (mainly vehicle loans). During 9mFY18 also ALL has invested equity of around Rs. 225 crore in equity shares of HLF and further invested Rs.144 Cr in Jan'18

Inherent cyclical nature of the automotive industry

The automotive industry is cyclical in nature as it derives its demand from the investments and spending by the Government and individuals. The Indian Commercial Vehicle (CV) industry can be classified into Goods Carriers (GCs) and Passenger Carriers (PCs). On the basis of the load-carrying capacity, the CV industry can be classified into Light Commercial Vehicles (LCVs) and Medium and Heavy Commercial Vehicles (MHCVs). The Indian CV industry is dominated by GCs (Approximate 88 per cent of domestic CV sales) and hence, the domestic sales are dependent largely upon the economic activities like industrial and agricultural production. CV industry has exhibited higher volatility in the past.

Analytical approach:

Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for Short-term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Rating Methodology-CV Industry](#)

About the Company

Ashok Leyland Limited (ALL; CIN No: L34101TN1948PLC000105), Flagship Company of the Hinduja Group, is one of the largest commercial vehicle manufacturers in India. The company was promoted as Ashok Motors Limited in 1948, to assemble the Austin cars. During 1950, ALL commenced assembly and distribution of Leyland commercial vehicles, through the agreement with Leyland Motors Limited, U.K. Currently, Hinduja Automotive Limited (HAL), fully owned by

the Hinduja Group, holds 50.38% stake in ALL.

ALL is one of the largest manufacturers of Medium and Heavy Commercial Vehicles (M&HCV) and also has presence in the Light Commercial Vehicle (LCV) segment. ALL's product profile includes buses, trucks, engines and defense vehicles. ALL has seven manufacturing plants (total manufacturing capacity of 1,50,500 units) across five different locations, with the parent plant at Ennore (Chennai, Tamil Nadu), three plants at Hosur (Tamil Nadu), gearbox manufacturing and vehicle assembly plant at Bhandara (Maharashtra), assembly plant with bus body building facility at Alwar (Rajasthan) and a fully integrated unit in Pant Nagar (Uttarakhand).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	18,960	20,142
PBILDT	2,303	2,271
PAT	390	1,223
Overall gearing (times)	0.48	0.37
Adjusted Overall Gearing (times)*	0.45	0.35
Interest coverage (times)	9.30	14.62

A: Audited; Calculated by including intangible assets as a part of networth

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	900.00	CARE AA+; Stable / CARE A1+

Non-fund-based - LT/ ST-BG/LC	-	-	-	1200.00	CARE AA+; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	500.00	CARE AA+; Stable / CARE A1+
Commercial Paper	-	-	7-364 days	1500.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	900.00	CARE AA+; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (25-Apr-17)	1)CARE AA; Stable / CARE A1+ (06-Feb-17) 2)CARE AA- / CARE A1+ (11-May-16)	1)CARE AA- / CARE A1+ (21-Apr-15)	1)CARE A+ / CARE A1+ (23-Jun-14)
2.	Commercial Paper	ST	1500.00	CARE A1+	1)CARE A1+ (19-Sep-17)	1)CARE A1+ (06-Feb-17) 2)CARE A1+ (11-May-16)	1)CARE A1+ (21-Apr-15)	1)CARE A1+ (23-Jun-14)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	1200.00	CARE AA+; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (25-Apr-17)	1)CARE AA; Stable / CARE A1+ (06-Feb-17) 2)CARE AA- / CARE A1+ (11-May-16)	-	-
4.	Fund-based/Non-fund-based-LT/ST	LT/ST	500.00	CARE AA+; Stable / CARE A1+	1)CARE AA; Stable / CARE A1+ (25-Apr-17)	-	-	-

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