

8<sup>th</sup> November 2023

## ASK Automotive – SUBSCRIBE

### Investment Thesis

ASK Automotive Ltd. (ASK Automotive) is coming out with an initial public offering (IPO) on November 07, 2023. The issue comprises of offer for sale of 29,571,390 equity shares worth Rs.8,340mn at highest price band. Objective of the issue is to achieve the benefits of listing the equity shares on the Stock Exchanges and carry out the offer for sale of existing shareholders.

ASK Automotive is the largest manufacturer of brake-shoe and advanced braking (AB) systems for 2Ws in India with a market share of approximately 50% in FY23. Also, it is among the prominent players in the safety control cables (SCC) products and aluminium lightweighting precision (ALP) solutions for 2W OEMs in India. It is also increasing its presence in the 3W, PV and CV sectors as well as developed comprehensive portfolio of EV and powertrain-agnostic products. Electrification and lightweighting trends have led to increased revenue realization of various components since the vehicle level bill of materials supplied to an EV OEM is higher compared to ICE OEM. Through various R&D initiatives, ASK Automotive is working towards widening its portfolio of EV specific products providing lightweighting and thermal management solutions to 2W EV OEMs.

EV penetration in 2W market in India is expected to grow at a CAGR of 55-58% to reach 24-26% by FY28 whereas the demand for 3W EVs is also expected to grow at a CAGR of ~55% during CY23-28. With existing portfolio of EV specific products, ASK Automotive is well positioned to capture growth trend in revenue realization per component with increasing electrification, both in India and globally.

ASK Automotive's business is driven by innovation and technology. With its focus on R&D, it is continuously enhance its advanced material engineering capabilities to formulate advanced materials for braking systems to meet stringent safety, durability and performance specifications for EV and ICE OEMs. With a strong R&D capabilities, it can cater growing need for safety systems in the automotive sector. Ongoing product development using design, R&D and engineering capabilities remains a core focus area will continue same in the future.

ASK Automotive intend to leverage its established and long-standing customer relationships and explore opportunities to grow along the value chain by expanding the suite of existing offerings across sectors, products and processes. It has already started providing critical engineering solutions to PV OEMs. It has plan to develop and manufacture additional safety systems and critical engineering solutions for CV and PV OEMs, where it can leverage its engineering capabilities.

### Financials

- During the past 3 years, revenue of ASK Automotive grew at a CAGR of 15.8% while PAT grew at CAGR of 4.7% in same period.

Consol. (Rs.Mn.)	FY21	FY22	FY23	FY24E	FY25E
Revenue	15,440	20,131	25,552	29,640	34,086
EBITDA	1,827	1,687	2,317	2,734	3,172
EBITDA Margin(%)	11.8%	8.4%	9.1%	9.2%	9.3%
PAT	1,062	827	1,230	1,451	1,683
EPS (Rs.) #	5.4	4.2	6.2	7.4	8.5
P/E (x) *#	52.4	67.3	45.2	38.3	33.0
RoE (%) #	13.9%	10.8%	16.1%	17.4%	18.4%

\* At highest price band # Post listing

### IPO Details

Issue Open Date	07 November 2023
Issue Close Date	09 November 2023
Price Band (Rs.)	Rs. 268 – Rs. 282
Issue Size*	Rs. 8,340 Mn
Issue Size (Shares)	29,571,390
Market Lot	53 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 2/-

\* At highest price band

### Key Details

Fresh Issue*	N.A.
Issue Type	Book Building
Book Running Lead Manager	JM Financial, Axis Capital, ICICI Securities and IIFL Securities
Issue structure	Anchor Investor: 30% QIB: 20% Non Institutional: 15% Retail: 35%
Credit of Shares to Demat Account	17 November 2023
Issue Listing Date	20 November 2023

\* At highest price band

## Key Business Highlights

- ASK Automotive is largest manufacturer of brake-shoe and advanced braking (AB) systems for 2-wheelers in India with a market share of ~50% in FY23 in terms of production volume for OEMs and the branded independent aftermarket (IAM). It offers powertrain agnostic, catering to EV as well as internal combustion engine (ICE) OEMs.
- ASK Automotive has diversified its product portfolio to include AB systems, aluminium lightweighting precision (ALP) solutions, wheel assembly to 2W OEMs and safety control cables (SCC) products. ASK Automotive's in-house design and engineering capabilities enable it to deliver complex precision components and solutions with a focus on quality and has allowed it to diversify its business.
- ASK Automotive supply its products to all of the top six 2W OEMs in India (Hero, Honda, Bajaj, Yamaha, TVS and Suzuki) having over 16 years of customer relationship. Apart from these, ASK Automotive has also started commercial supply to Ather, Greaves Electric and Revolt Intellicorp.

## Valuation

- ASK Automotive serve independent aftermarket (IAM) across the 2W, 3W and PV sectors supplying AB systems and SCC products. It has also strengthened its presence in the CV sector through JV AFFPL, which has been supplying AB products in the IAM for CVs in India and globally. ASK Automotive has plans to further expand IAM presence and reinforce its brand image and visibility which help to capture additional market share.
- As on Q1FY24, ASK Automotive operating with 15 manufacturing facilities across five states in India, majority of which are strategically located in close proximity to its OEM customers. In July 2023, it has commenced commercial manufacturing operations at our 16th manufacturing facility in Bhiwadi (Rajasthan). It has also been allotted land in Kolar, Karnataka, on which it proposes to develop a manufacturing facility. In addition, its JV operates one manufacturing facility in Gurugram, Haryana.
- With largest manufacturer of brake-shoe and AB systems for 2Ws in India having over 50% market share, diversification into EV market will enhance revenue realization per component, strong focus on R&D, expanding offering of CV and PV to existing customers and addition of new manufacturing facilities, we are recommending **SUBSCRIBE** rating to the IPO of ASK Automotive Ltd. for medium to long term perspective.

## Risk & Concern

- ASK Automotive is heavily reliant on the Indian 2-W automotive sector (80%+ revenue). Any decline in the sales of 2-W in India may have adverse impact on the revenue of ASK Automotive.
- ASK Automotive generates over 50% of its revenue from its top-3 customers. Losses of any of these customers or decline of business with these customers may have a significant negative impact on revenue of the company.
- ASK Automotive is also at risk of loss of revenue due to availability of counterfeit products and failure to keep its technical knowledge confidential.
- ASK Automotive depends on third party suppliers for its raw material requirements of aluminum.

## Graphs & Charts

Figure 1: Net Sales Trend

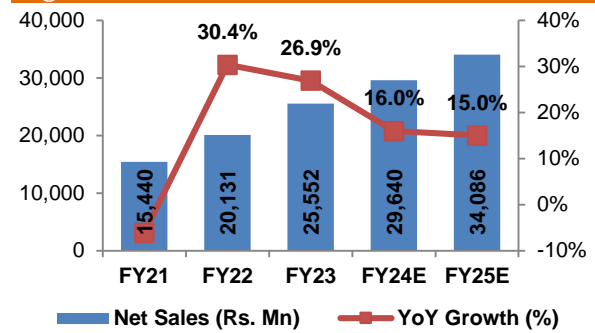


Figure 2: EBITDA & EBITDA Margin Trend

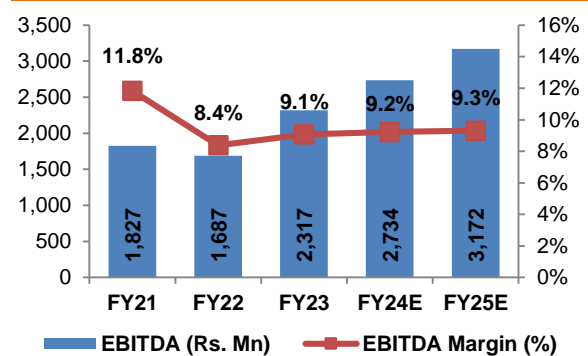


Figure 3: PAT & PAT Margins

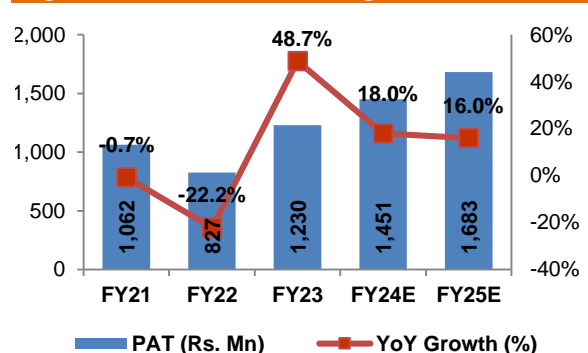
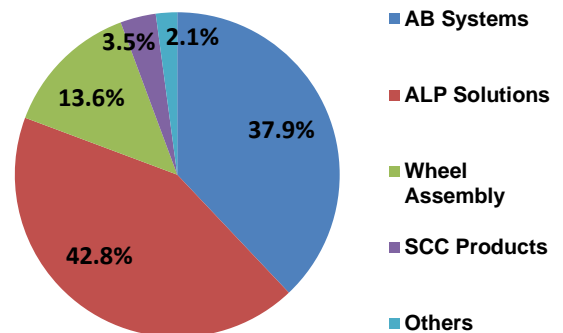


Figure 4: Segment-Wise Revenue (Q1FY24)



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