



ASK Automotive Limited is a well-established name in the automotive industry as they are the largest manufacturer of brake-shoe and advanced braking systems for two wheeler in India with market share of 50% in FY2023. The company has recently expanded its operations to cater to the top names in the EV sector like TVS Motor, Ather, Hero Moto-cop, Greaves, Bajaj Auto and Revolt, which has further increased its market share. With a strong liaison with major OEMs in the industry for the past 30 years, ASK Automotive Limited enjoys long standing customer relationships. With a new manufacturing plant underway in Rajasthan, ASK Automotive Limited, plans to further expand its operations.

Revenue and Profit after tax has increased by 29% and 3% for FY2021-23 in terms of 2 year CAGR. There was a drop in profits due to supply chain issues arising out of pandemic. This issue is available at P/EPS of 45.63x for FY2023 which appears fairly priced with peers. Hence, we recommend to subscribe the issue for listing gains.



DRIVING  
SAFETY  
THROUGH  
INNOVATION

## About the Company:

ASK Automotive Limited is a manufacturer of Advance Braking Systems for two-wheelers in India. The product range of the company includes (i) AB systems; (ii) aluminium lightweight precision ("ALP") (iii) wheel assembly to 2W OEMs; and (iv) safety control cables ("SCC"). The company operates in India as well as overseas. As of June 2023, the company has 15 manufacturing units spread across five states in India. ASK Automotive supplies to Original Equipment Manufacturers like HMSI, HMCL, Suzuki, TVS, Yamaha, Bajaj, Royal Enfield, Denso, Magneti Marelli, and others. It also provides to the independent aftermarket and the export market through its manufacturing facilities located in different parts of the country.

## Issue details

Price Band (Rs in per share)	268-282
Issue size (Rs in Crore)	792.51-833.91
Fresh Issue size (Rs in Crore)	NA
OFS Issue size (Rs in Crore)	792.51-833.91
Issue open date	07-11-2023
Issue close date	09-11-2023
Tentative date of Allotment	15-11-2023
Tentative date of Listing	20-11-2023
Total number of shares (lakhs)	295.71
No. of shares for QIBs (50%) (lakhs)	147.86
No. of shares for NII (15%) (lakhs)	44.36
No. of shares for retail investors (35%) (lakhs)	103.50
No. of shares for employees (lakhs)	NA
Minimum order quantity	53
Face value (in Rs)	2.00
Amount for retail investors (1 lot)	14204-14946
Maximum number of shares for Retail investors at lower Band	742 (14 lots)
Maximum number of shares for Retail investors at upper band	689 (13 lots)
Maximum amount for retail investors at lower Band- upper band (in Rs)	198856-194298
Exchanges to be listed on	BSE, NSE

## RESEARCH ANALYST

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A route to making money online

## Promoters

- KULDIP SINGH RATHEE
- VIJAY RATHEE

## Objective of the Offer

- Carry out the Offer for Sale of up to 29,571,390 Equity Shares by the Promoter Selling Shareholders.
- Achieve the benefits of listing the Equity Shares on the Stock Exchanges.



## Financials

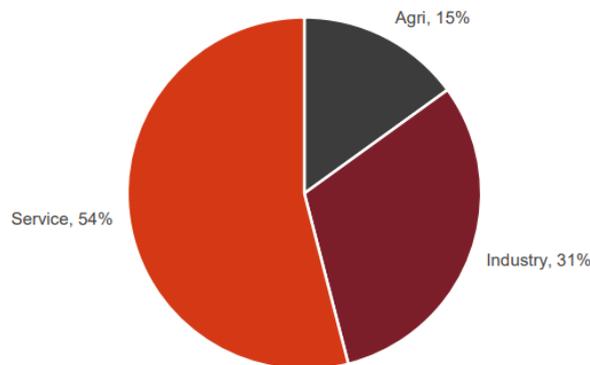
Brief Financials				
Particulars (Rs. Cr)*	Q1FY2024	FY23	FY22	FY21
Share Capital	39.42	39.42	40.17	40.68
Net Worth	678.46	643.77	631.90	622.22
Revenue	656.50	2555.16	2013.08	1543.99
Net Profit	34.82	122.95	82.65	106.20
Basic EPS	7.08#	6.18	4.09	5.22
Net Asset Value (Rs)	34.41	32.66	31.46	30.58
Total Borrowings	386.83	318.01	159.79	79.89
P/E#	39.83	45.63	NA	NA
P/B #	8.19	8.63	NA	NA

Source: RHP # Calculated at the upper price band, \* Restated summary, # Annualized Numbers

## Industry Review:

Government policies to boost manufacturing in India India's economic output are mainly driven by the high productivity services sector, which contributes 54% of the economic output. Industry accounts for a distant second at 31%, of which, manufacturing accounted for nearly 60%. Growth in the manufacturing sector not only increases jobs in the sector but also reduces forex outgo on imported goods. Hence, the government has introduced several incentives in the past decade to boost the manufacturing sector in India.

Figure 1 Sectorial GDP share Fiscal 2023



**Make in India** The "Make in India" initiative was launched in September 2014, to give a push to manufacturing in India and encourage FDI in manufacturing and services. The objective of the initiative was to increase the share of manufacturing in GDP to 25% by 2020 by boosting investment, fostering innovation and intellectual property, and building best-in-class infrastructure for manufacturing across sectors, including, but not limited to, automobile, auto-components, aviation, biotechnology, chemicals, construction, defense manufacturing, electrical machinery, electronic systems, food processing, mining, oil and gas, pharmaceuticals, renewable energy, thermal power, hospitality and wellness.

*Budgeted incentives for each sector under the Production linked incentive (“PLI”) scheme*

Sector	Segment	Budgeted (Rs bn)*	
Automobile	Advance chemistry cell (“ACC”) battery	181	751.4
	Automobiles and auto components	570.4	
Electronics	Mobile manufacturing and specified electronic components	409.5	545.15
	Electronic/technology products/IT hardware	73.25	
	White goods (ACE and LED)	62.4	
Pharma and medical equipment	Critical key starting materials/drug intermediaries and active pharmaceutical ingredients	69.4	253.6
	Manufacturing of medical devices	34.2	
	Pharmaceutical drugs	150	
Telecom	Telecom and networking products	122	122
Food	Food products	109	109
Textile	Textile products: man-made fibre and technical textiles	106.8	106.8
Steel	Speciality steel	63.2	63.2
Energy	High-efficiency solar photovoltaics modules	240	240
Aviation	Drones and drone components	1.2	1.2
<b>Total</b>			<b>2,192</b>

\*Approved financial outlay over a five-year period

ACE: Appliance and consumer electronics; LED: Light-emitting diode

Source: Government websites, CRISIL MI&A

## Review of and outlook on the automotive industry between Fiscal 2018 and Fiscal 2028P

The two-wheeler (“2W”) segment dominates the Indian auto industry (approximately 76% by volumes) and primarily dictates its tone. The industry saw a decline of 4.3% CAGR (between Fiscal 2018 to Fiscal 2023) in total 2W sales along with a marginal CAGR in the PVs and commercial vehicles (“CVs”) segments. A decline of 5.1% in three-wheelers (“3Ws”) was observed. Across segments, there was a decline owing to a slowdown in the economy, transition to BS VI norms, and the challenges posed by the COVID-19 pandemic in Fiscal 2022. However, the industry grew in Fiscal 2023 due to healthy pent-up demand created by two years of slump in sales volumes, owing to a pandemic-induced disrupted supply chain. In Fiscal 2023, the 2W industry recorded a growth of 18.7% whereas 3Ws, PVs and CVs grew by 87.8%, 26.8% and 34.5% year-on-year, respectively. Electronic vehicles (“EVs”) are gaining in India and are growing faster than internal combustion engine (“ICE”) vehicles across the 2W, 3W and four-wheelers (“4W”) sectors. Growing population and urbanization provide for opportunities in the automotive sector, as they call for increasingly fast, safe, and reliable transportation modes. Electrification and other energy and eco-friendly solutions result from growing energy demand that is coupled with growing public awareness of energy efficiency and increasing public policies on energy, such as stricter emission laws. EVs hold a high potential for emission-efficient mobility solutions across the world, including 2Ws, 3Ws and PVs supported by government incentives for setting up EV charging infrastructure and vehicle purchase subsidies which have helped in increasing demand for EVs and reducing battery prices due to increase in production capacities across the world. The automotive industry is subject to seasonality throughout the year, as it has been seen in the past that during festive periods sales generally see an uptick whilst in periods of low economic activity such as during the monsoon season or during plant shutdowns, sales and offtake generally see a downturn.

*Automobile segments (domestic sales volumes)*

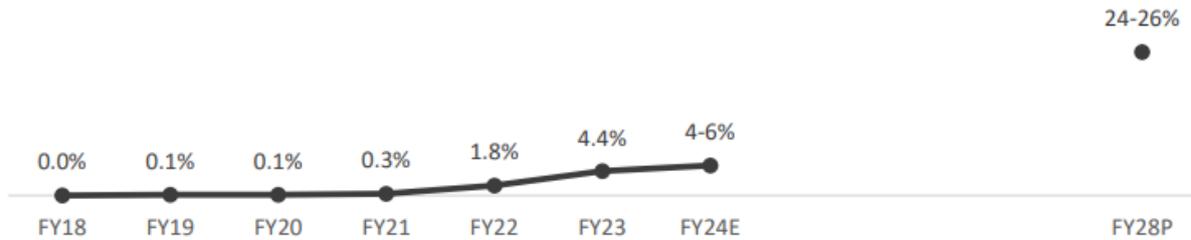
Automobile segments	Sales volume, Fiscal 2023 (million units)	CAGR% Fiscal 2018- Fiscal 2023	Fiscal 2024E (y-o-y growth %)	Sales volume, Fiscal 2028P (million units)	CAGR% Fiscal 2022- Fiscal 2028P
CVs	0.96	2.4%	4-6%	1.11	2-4%
PVs	3.89	3.4%	5-7%	5.58	6-8%
2Ws	16.25	(4.3)%	8-10%	26.28	9-11%
3Ws	0.49	(5.1)%	29-31%	0.94	13-15%

Source: SIAM-Society of Indian Automobile Manufacturers, CRISIL MI&A



### EV penetration

To curb pollution levels, EVs are gaining global interest. In India as well, EVs are gaining popularity as the government is extending support via Faster Adoption and Manufacturing of Hybrid and Electric (“FAME”) II vehicles and tax rate cuts to encourage EV adoption. Furthermore, growing awareness and concern for environmental issues is likely to driver electrification in India. CRISIL expects electric 2W (“e-2W”) market penetration to be 4-6% by Fiscal 2024, and CRISIL expects e-2Ws to start contributing meaningfully from Fiscal 2024 and reach 24-26% penetration by Fiscal 2028 growing at a CAGR of 55% to 58% between Fiscal 2023 and Fiscal 2028. On June 1, 2023, the government reduced the FAME subsidy incentive cap from 40% of a vehicle's value to 15% and capped the subsidy to Rs 10,000 per kWh of battery from Rs 15,000 per kWh earlier. Due to this, manufacturers such as Ola, TVS and Ather had to increase the prices of their electric scooters. Since the electric 2W segment has started to emerge stronger, and despite the challenges, 7.1 lakh high speed units were sold in Fiscal 2023, approximately three times of Fiscal 2022 levels. However, reduction in subsidy remains to be the key monitorable.



### Overview of the auto component segments

The specific auto component segment includes advanced braking systems, aluminium light weighting precision solutions and safety control cables. The advanced braking systems segment includes brake panel assembly, brake shoe, disc brake pad (“DBP”), brake lining, and mission case. The aluminium light weighting solutions segment can be further segmented into various divisions including engine parts, body and chassis parts, transmission parts, electrical and electronic parts, and EV-specific components. The engine parts division includes crankcase, crankcase cover, filter housing, cylinder block, throttle body, and engine cover. The body and chassis division includes pillion grip, footrest, holder, speedometer housing, wiper housing, and hub. The transmission division includes flange final driven. The electrical and electronic division includes ECU plate and ECU heat sink. The EV-specific division includes wheel pulley, motor housing and battery housing. The safety control cables segment includes choke cable, clutch cable, front brake cable, rear brake cable, speedometer cable, throttle cable, seat lock cable and fuel cable.

*Products within every segment are listed below:*

Sub-segment	Component
Engine parts	Crank case, crank case cover, cylinder block, throttle body, engine cover, filter housing
Body and chassis parts	Pillion grip, footrest assembly, wiper housing, speedometer cable housing, hub, handle holder
Transmission parts	Flange final driven
Electrical and electronic parts	ECU plate and ECU heat sink,
EV-specific parts	Battery housing, motor housing, wheel pulley and intermediate pulley



## Competitive Strengths

### **Well established manufacturer of safety systems and critical engineering solutions**

They supply their products to 2W OEMs in India, the largest motorized 2W market in the world, with domestic sales of 16.25 million units in Fiscal 2023. India is also among the largest exporters of 2Ws 201 in the world. The 2W market constituted approximately 76% by production volume of the total Indian automotive market in Fiscal 2023, comprising 2Ws, 3Ws, PVs and CVs sectors (Source: CRISIL Report). They supplied their products to all of the top six-2W OEMs (in terms of production volume and value) in India during Fiscal 2023.

### **Robust production model driven by research and development (“R&D”)**

They have R&D, engineering and technological capabilities to offer future-ready solutions and customized solutions to cater to their customers’ needs. They have undertaken several R&D driven initiatives, including engaging closely with their customers to develop products manufactured for their AB systems, as well as light weighting solutions for products under their ALP solutions, enabling their customers to capitalize on market growth trends.

### **Technology and innovation-driven manufacturing process, with an extensive suite of systems and solutions for EV and ICE sectors**

Technology and innovation play a critical role in the development of their safety systems and critical engineering solutions. They engage in ongoing R&D and design activities to develop and offer innovative and customized systems and solutions that meet their customers’ requirements in both the EV and ICE sectors.

### **Long-standing customer relationships with both Indian and global OEM players**

Their experience in developing complex critical safety systems and solutions has led to established relationships with several customers. Globally, their customers include players such as Stanley Black & Decker, Polaris, and MTD Products. In India, their customers include the top six-2W OEMs (in terms of production volume and value for Fiscal 2023) (Source: CRISIL Report). They have been serving each of the top six-2W OEMs in India for more than 16 years as of June 30, 2023, and some of them since 1994. They have been successful in developing customer relationships and supply to EV based 2W OEMs in India such as TVS, Ather, Hero MotoCorp, Greaves, Bajaj and Revolt.

### **Financial and return metrics demonstrating growth and efficient use of capital**

Their revenue from operations has grown at a CAGR of 28.64% between Fiscals 2021 and 2023, and by 8.74% from ₹6,037.35 million in the three months ended June 30, 2022 to ₹6,565.08 million in the three months ended June 30, 2023, demonstrating growth in their financial performance in recent years, and positioning them for future growth and further diversification of their customer base and offerings.



## Risk Factors

### Revenue Dependence on Two-Wheeler Automotive Sector:

A significant portion (more than 80%) of their revenue from operations in each of the last three Fiscals, the three months ended June 30, 2023 and June 30, 2022 is attributable to the Indian two-wheeler automotive sector. Any adverse changes in the two-wheeler automotive sector could adversely affect their business, results of operations and financial condition.

### Customer Dependence:

They are dependent on their top three customers who contribute more than 50.00% of their revenue from operations with their single largest customer contributing approximately 30.00% or more of their revenue from operations in each of the last three Fiscals and in the three months ended June 30, 2023 and June 30, 2022. Loss of any of these customers or a reduction in purchases by any of them could adversely affect their business, results of operations and financial condition.

### Raw Material Availability and Cost:

Their business and profitability is substantially dependent on the availability and cost of their raw materials, including Aluminum, and any disruption to the timely and adequate supply of raw materials, or volatility in the prices of raw materials may adversely affect their business, results of operations and financial condition.

### Dependence on Third-Party Suppliers:

They depend on third parties for the supply of raw materials and do not have firm commitments for supply or exclusive arrangements with any of their suppliers. Loss of suppliers may have an adverse effect on their business, results of operations and financial condition.

### Growth Strategy Implementation:

They may not be successful in implementing their growth strategies, particularly increasing their market share in the evolving electric vehicle market, which could have an adverse effect on their business, financial condition, cash flows and results of operations.

**Peer Comparison**

Name of the company	Revenue from operations(in Rs Cr)	Face Value	EPS	NAV	P/E	P/B	RoNW (%)
ASK Automotive Ltd	2555.16	2.00	6.18	32.66	45.63	7.18	19.10
Endurance Technologies Ltd	8804.04	10.00	34.09	313.67	46.45	5.05	10.87
Uno Minda Ltd	11236.49	2.00	11.42	72.53	50.82	8.00	15.73
Suprajit Engineering Ltd	2752.35	1.00	10.99	88.48	52.81	6.56	12.42
Bharat Forge Ltd	12910.25	2.00	11.35	144.02	90.51	7.13	7.88

*\*The financial information has been derived from the Restated Consolidated Financial Information for the financial year ended March 31, 2023.*

*#calculated as per the upper band for ASK Automotive Ltd and as per the closing price on 1st November for the other listed companies.*

**OUR VIEWS**

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**Sources: Company Website and red herring prospectus**



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