

ASK Automotive Limited

Auto Component | India

IPO | 06 November 2023

An Innovative Auto Component Ancillary



About the Company

ASK Automotive Limited (ASK) is one of the largest manufacturers of brake-shoe and advanced braking ("AB") systems for two-wheelers ("2W") in India with a market share of approximately 50% in FY23 in terms of production volume for original equipment manufacturers ("OEMs") and the branded independent aftermarket ("IAM"), on a combined basis. ASK has three decades of track record in supplying critical safety systems and complex precision solutions. ASK has 3 technical collaborations and 1 joint venture with leading global players and operates through 17 state of the art manufacturing facilities in India.

Long-standing relationship with both Indian and Global OEM players

ASK been serving each of the top six 2W OEMs in India ^ that have a market share of ~93% in the 2W industry. 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. ASK is developing complex critical safety systems and solutions for globally customers such as Stanley Black & Decker, Polaris, and MTD Products with exports to 12 countries in FY23.

Diversified revenue segments

ASK have grown to have an established presence as an AB manufacturer in India, scaled the ALP solutions significantly, and have recently entered the SCC business illustrating abilities to diversify the business. They intend to similarly expand the capabilities and introduce low pressure die-casting ("LPDC") and gravity die-casting ("GDC") in addition to our existing high pressure die-casting ("HPDC") capabilities at their manufacturing facility Bhiwadi, Rajasthan.

Continuous Technology and Innovation process driving growth

ASK have a demonstrated track record of developing technologically advanced products through its strong in house R&D and design centre as per the requirements of customers as technology and innovation play a critical role in the development of our safety systems and critical engineering solutions for both EV and ICE sectors. ASK entered in EV sector in FY21 to complement the product suite and achieve through our comprehensive suite of power train-agnostic products. EVs are gaining interest globally, including in India, and their sales are growing faster than ICE vehicles across the 2W, 3W and PV sectors. The 2W EV sector penetration is expected to reach 24% to 26% by FY28 overall and expected to grow at a CAGR of 55% between FY23-28.

Financials in Brief

On the financial front, the company reported a turnover of Rs 1544 Crs, Rs2013 Crs and Rs2555 Crs for FY21, FY22 and FY23 respectively, on a consolidated basis. It posted net profit of Rs 106 Crs, Rs83 Crs and Rs 123 Crs respectively for the aforementioned period. Revenues registered a CAGR of ~28% while profit was lower FY21-23 at 7.6% with variation in net margins. The revenue split between the three major business is ABS(41.8%), ALPS(38.9). Wheel Assembly (13.8%) and SCC (3.5%) for FY23 and each of the business segments is exploring strong growth opportunities.

Our View

ASK is led by a first-generation entrepreneur with a strong professional management, demonstrating strong growth and efficient use of capital with a competitive advantage as it seeks to grow its business over the next few years. Its key business ABS has high entry barriers with extensive and detailed vendor approval process of suppliers by OEMs, proprietary material formulations and technological prowess with various product lines being developed for the 3W, 4W and CV segments which will continue to drive the growth momentum in its business. Its ALS division is witnessing growth in ICE and EV segments by introducing value added solutions for customers and has a strong pipeline of new products for domestic and exports market to benefit from the growing the Indian automotive industry. ASK will continue to grow better than the industry able to diversify its product basket, offer new solutions for existing products and increase the content per vehicle for its products. **Therefore we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	268-282
Face Value (Rs)	2
Issue Open/Closing Date	07-Nov-23/09-Nov-23
Fresh Issues (Crs)	834.0
OFS (Crs)*	-
Total Issue (Crs)*	834.0
Minimum Bid Qty. (Nos)	53
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	5,559

*At higher band

Object of the Issue

- ▶ Achieve the benefits of listing of equity shares enhancing visibility and brand image.

Strengths

- ▶ Largest manufacturer of 2W Advanced Braking Systems in India with market share of 50% in OEMs.
- ▶ Long standing customer relationships with both Indian and Global OEM Players.
- ▶ Power train agnostic products offerings with a focus on EV and Exports.
- ▶ Diversify product offerings in the AB systems and ALP solutions categories and expand addressable market.

Key Risk

- ▶ Adverse changes in the two-wheeler automotive sector.
- ▶ Sharp increase in commodity prices.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	100.0	85.0
Others	0.0	15.0

Key Financials

(Rs Crs)	FY21	FY22	FY23
Revenues	1,544	2,013	2,555
EBITDA	186	171	236
EBITDA Margin (%)	12.1	8.5	9.3
PAT	106	83	123
PAT Margin (%)	6.9	4.1	4.8
EPS (Rs)	5.2	4.1	6.2
RocE (%)	21.5	16.1	20.3
RoE (%)	17.1	13.1	19.2
NAV (Rs.)	30.6	31.3	32.6
Networth	622	632	644
Total Borrowings	84	175	328

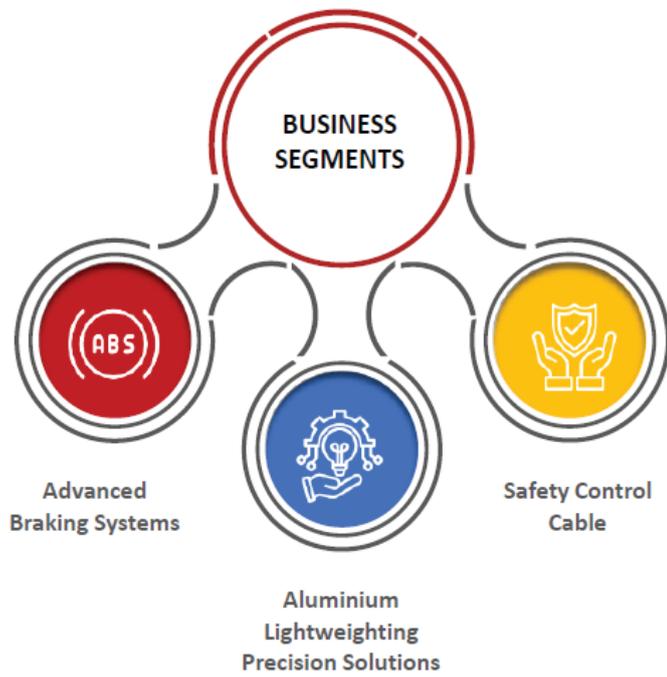
Source: RHP

Senior Research Analyst:
Vikas Jain

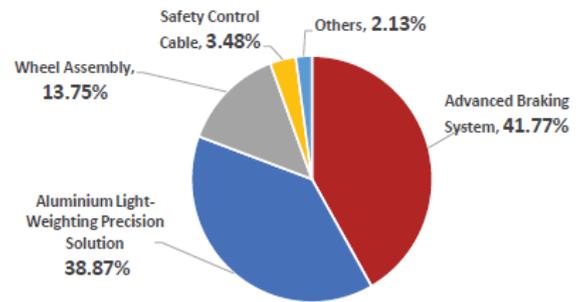
Contact : (022) 41681371

Email : vikas.i.jain@relianceada.com

Exhibit 1: Our Business Segments



Revenue from operations ₹ 25,551.67 Mn in FY23



- 17** Manufacturing Plants
 - 15 Existing
 - 1 JV
 - 1 Upcoming
- 6,000+** Employee Strength
 - No Union
- Long Term: **AA-**
Short Term: **A1+**
CRISIL Rating
 - 22.06% RoACE
 - 0.49 D/E

Source: Company

Exhibit 2: Long-standing relationship with both Indian and Global OEM players

2W Customers	Years of Relationship	2 Wheelers-ICE	2 Wheelers -EV	4 Wheelers	Commercial Vehicle	Export Customers
Hero MotoCorp Limited	30	Honda Motorcycle & Scooter India Private Limited, Hero MotoCorp Limited	India's largest 2W EV OEM*	Denso Corporation	Two Prominent CV OEMs in India^	StanleyBlack&Decker
Honda Motorcycle & Scooter India Private Limited	22	SUZUKI, TVS, YAMAHA, BAJAJ, brembo, DELORTO	ATHER, AMPERE By GREAVES	MAGNETI MARELLI		Polaris Inc.
BAJAJ	21		Hero MotoCorp Limited, Revolt Intellicorp Private Limited	UFI FILTERS, ASTI	KNORR-BREMSE	MTD Federal Mogul Italy
YAMAHA	21					FDP
TVS	20					
SUZUKI	16					

Source: Company

Exhibit 3: The table below sets forth the impact of the transition from ICE to EV for AB systems, ALP solutions and SCC products in the 2W market:

Segment	Category	Product	Vehicle Segment	
			ICE	EV (HEV, BEV)
Advanced Automotive Braking Solutions	Braking	Brake panel assembly, brake shoe, disc brake pad (DBP), brake lining, mission case	—	—
Aluminium Light weighting Precision Solutions	EV Specific	Motor housing	—	↑↑
		Battery housing	—	↑↑
		Wheel pulley	—	↑↑
	Electrical/Electronics	ECU housing/ECU heat sink	—	↑↑
	Transmission parts	Flange final driven	—	↑
	Body/Chassis Parts	Pillion grip, footrest assembly, speedometer cable housing, wiper housing, hub	—	—
	Engine Parts	Crankcase, crankcase cover, filter housing, cylinder block, throttle body, engine cover	—	↓↓
Safety Control Cable Solutions	Cables	Choke cable, clutch cable, brake cable (front & rear), speedometer cable, throttle cable, seat lock cable, fuel cable	—	↓↓

 Improved realizations
  Significant improved realizations
  No transition impact
  Reduced realizations
  Significant reduced realizations

Source: RHP, CRISIL Report

Exhibit 4: AB Systems – Brake panel assembly, brake shoes, disc brake pad, brake lining

Brake Panel Assembly



Brake Shoe



Brake Pads

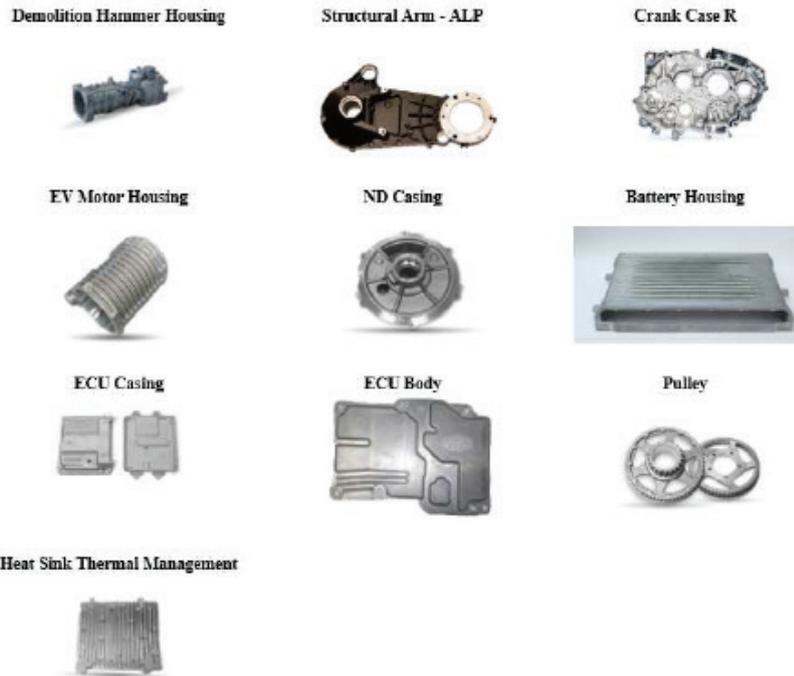


Brake Linings



Source: RHP

Exhibit 5: ALP solutions



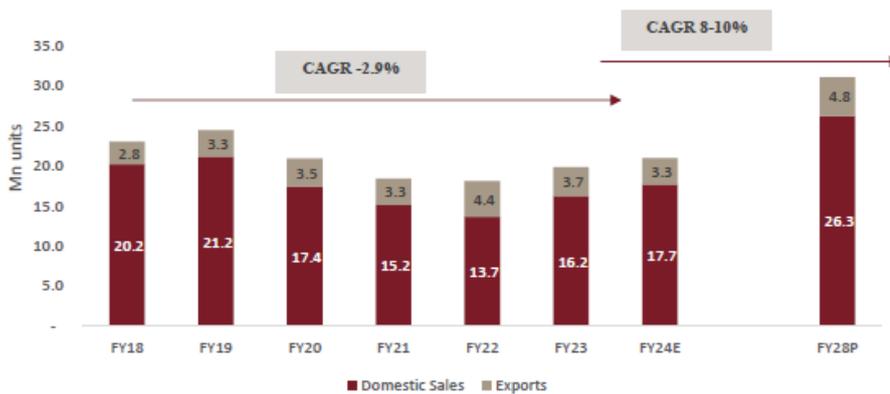
Source: RHP

Exhibit 6: SCC –Choke cable, clutch cable, brake cable, speedometer cable, throttle cable, seat lock cable, fuel cable



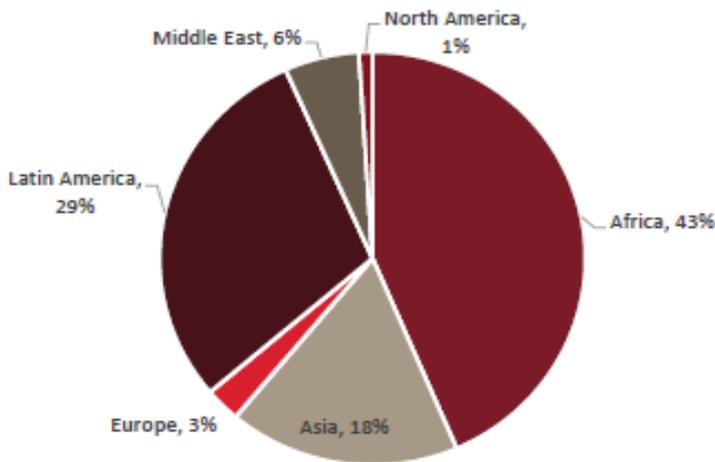
Source: RHP

Exhibit 7: 2W production volume



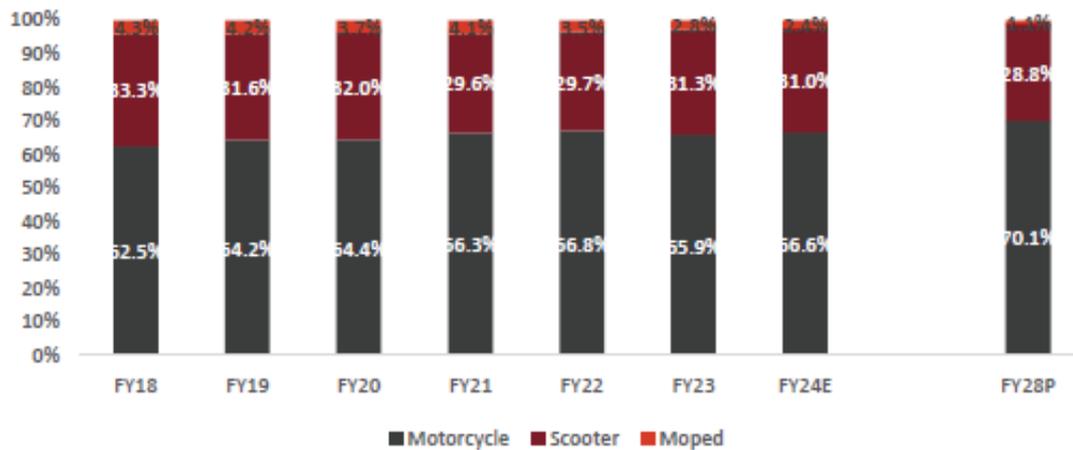
Source: RHP, SIAM, CRISIL MI&A

Exhibit 8: Share of key export destinations (Fiscal 2023)



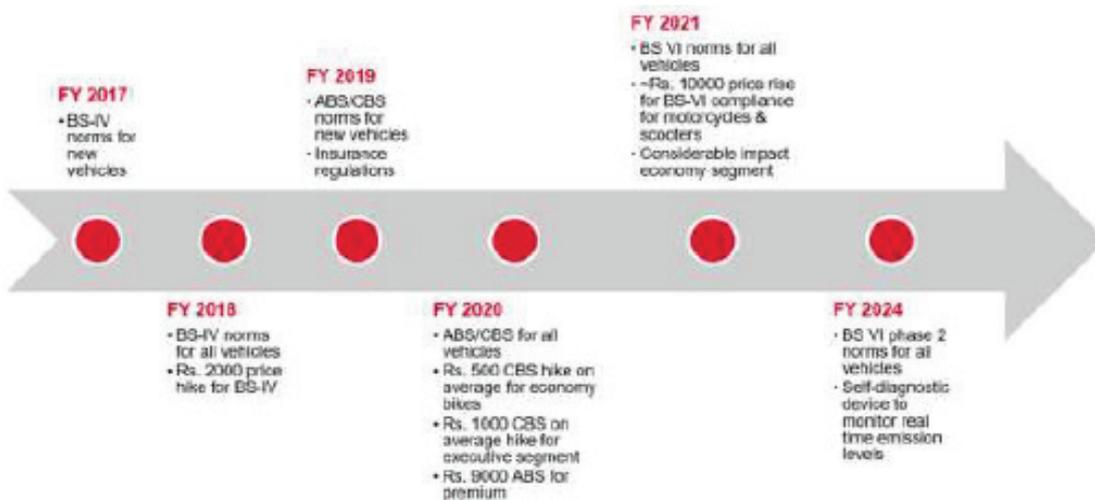
Source: RHP, Directorate General of Foreign Trade ("DGFT"), CRISIL MI&A

Exhibit 9: Segment-wise domestic 2W share



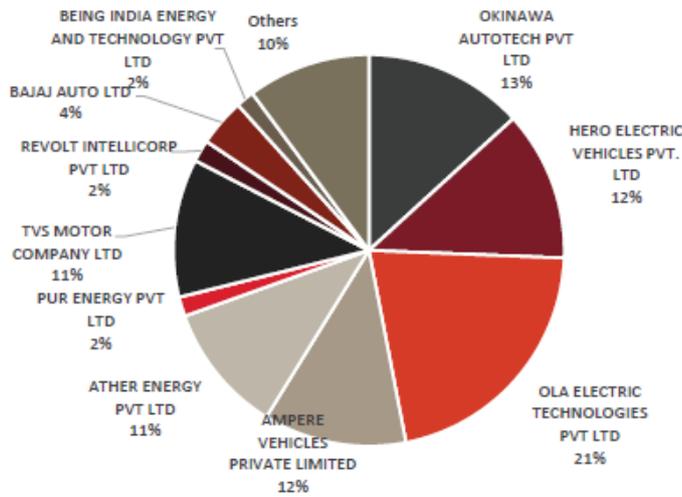
E: Expected
Source: RHP, SIAM, CRISIL MI&A

Exhibit 10: Regulatory timeline and its impact on prices



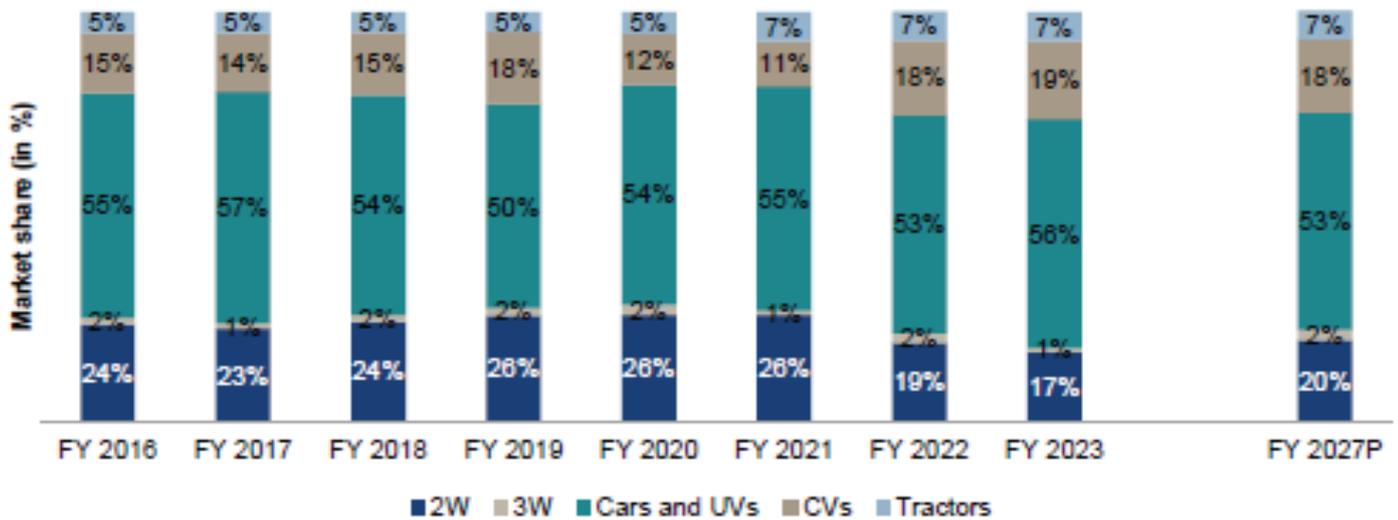
Source: RHP, Industry, CRISIL MI&A

Exhibit 11: Market Share for e-2W in Fiscal 2023



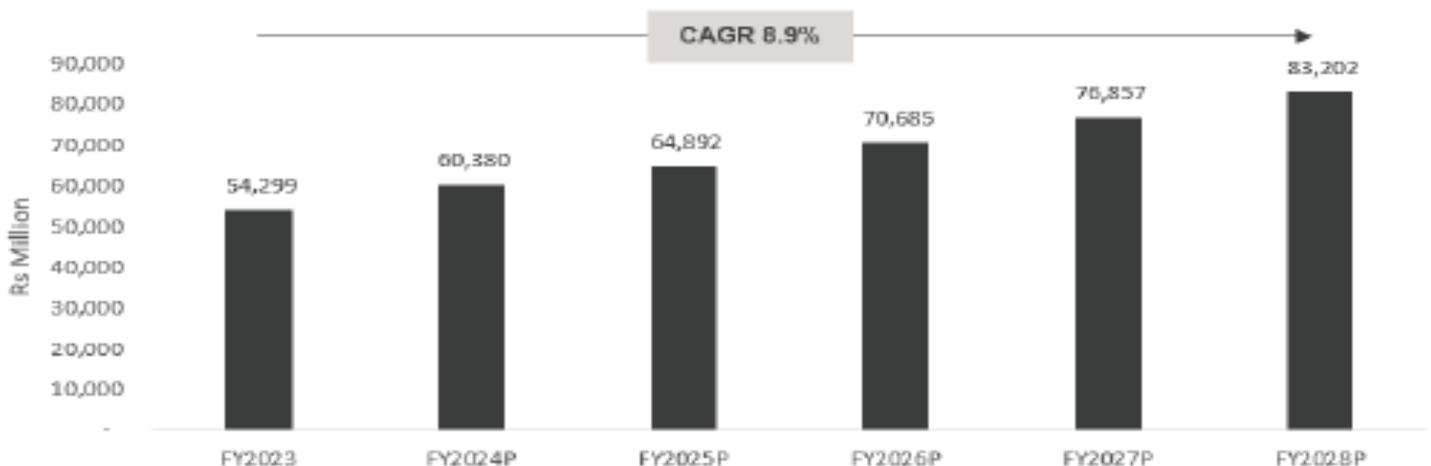
Source: RHP, VAHAN, CRISIL MI&A

Exhibit 12: Auto component production split by vehicle categories



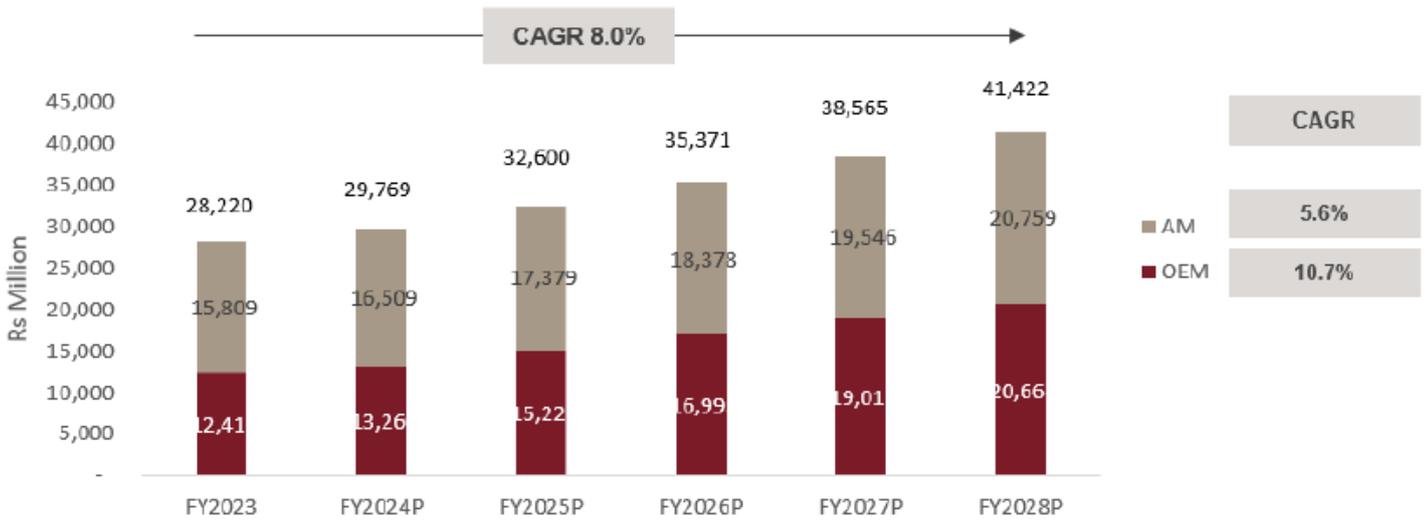
P: Projected
Source: RHP, CRISIL MI&A

Exhibit 13: Advanced automotive braking systems market size between Fiscal 2023 and Fiscal 2028P



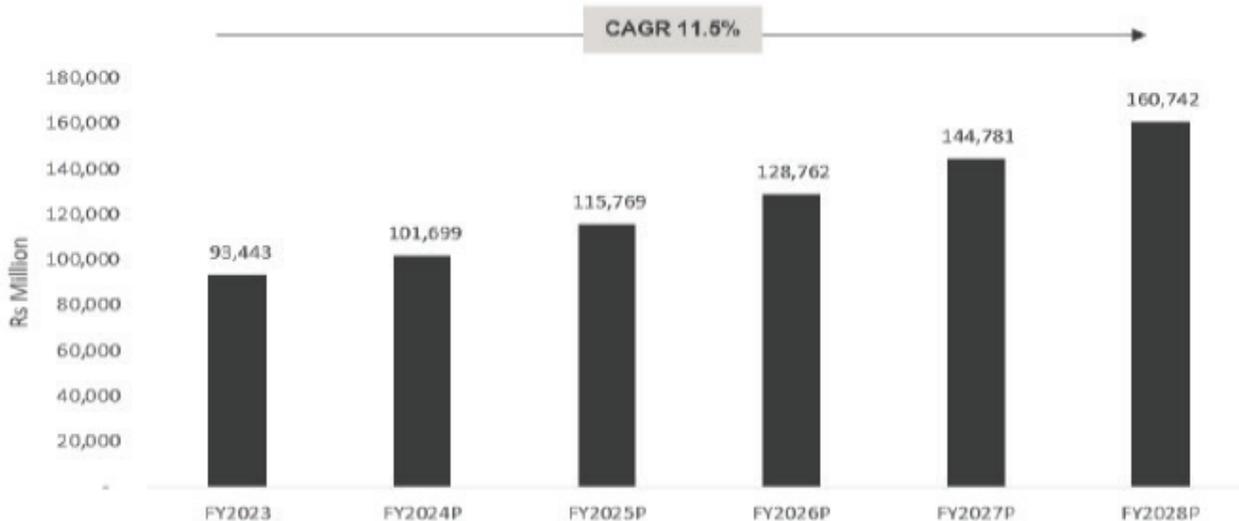
Source: RHP, CRISIL MI&A

Exhibit 14: Automotive braking systems market size for 2Ws and 3Ws between Fiscal 2023 and Fiscal 2028P



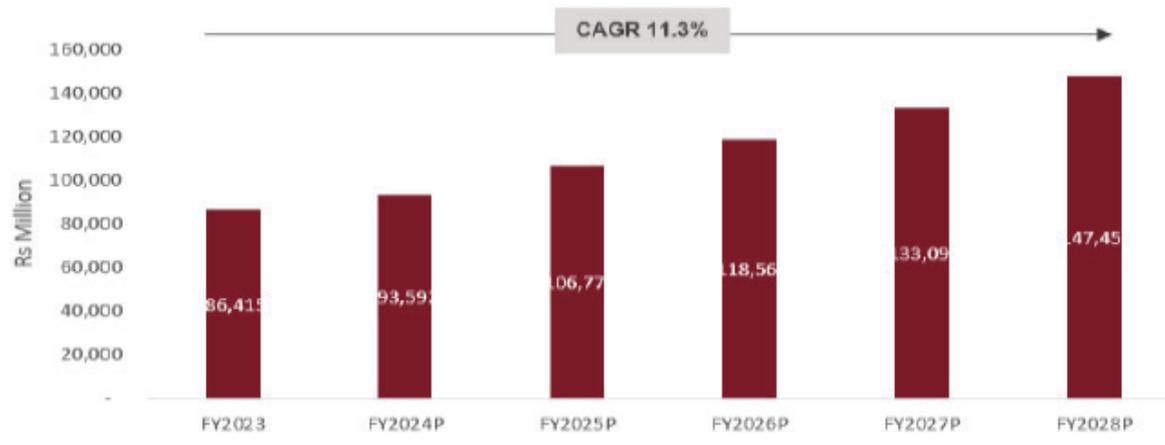
AM includes original equipment spares (OES), independent aftermarket ("IAM") and unbranded segments
 Source: RHP, CRISIL MI&A

Exhibit 15: Aluminium lightweighting precision solutions market size between Fiscal 2023 and Fiscal 2029P



Source: RHP, CRISIL

Exhibit 16: Aluminium lightweighting precision solutions market size for 2Ws between Fiscal 2023 and Fiscal 2028P



Source: RHP, CRISIL MI&A

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