

Manan Goyal
manangoyal@rathi.com

Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	8,340
Fresh Issue (No. of Shares in Lakhs)	Nil
Offer for Sale (No. of Shares in Lakhs)	295.7
Bid/Issue opens on	07-Nov-23
Bid/Issue closes on	09-Nov-23
Face Value	₹ 2
Price Band	268-282
Minimum Lot	53

Objects of the Issue

- Offer for sale: ₹8,403 million

Book Running Lead Managers	
	JM Financial Limited
	Axis Capital Limited
	ICICI Securities Limited
	IIFL Securities Limited
Registrar to the Offer	
	Link Intime India Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	450.00
Subscribed paid up capital (Pre-Offer)	394.29
Paid up capital (Post - Offer)	394.29

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	100.0	85.0
Public	0.0	15.0
Total	100	100

Financials

Particulars (₹ In million)	Q1 FY4	Q1 FY23	FY23	FY22	FY21
Revenue from operations	6,565	6,038	25,552	20,131	15,440
Operating expenses	5,928	5,550	23,187	18,420	13,577
EBITDA	637	488	2,364	1,711	1,863
Other Income	10	30	111	112	238
Depreciation	150	149	607	559	519
EBIT	498	369	1,868	1,263	1,582
Interest	44	20	112	81	109
PBT before excep item	454	348	1,757	1,183	1,474
Exceptional Item	22	(24)	(59)	(53)	(44)
PBT	476	324	1,698	1,130	1,430
Tax	128	98	468	303	368
Consolidated PAT	348	226	1,230	827	1,062
EPS	1.77	1.15	6.24	4.19	5.39
Ratios	Q1 FY24	Q1 FY23	FY23	FY22	FY21
EBITDAM	9.70%	8.08%	9.25%	8.50%	12.07%
PATM	5.31%	3.74%	4.81%	4.11%	6.88%
Sales growth			26.93%	30.38%	

Company Description

ASK Automotive Limited are the largest manufacturer of brake-shoe and advanced braking ("AB") systems for two-wheelers ("2W") in India with a market share of approximately 50% in Fiscal 2023 in terms of production volume for original equipment manufacturers ("OEMs") and the branded independent aftermarket ("IAM"), on a combined basis. They have been supplying safety systems and critical engineering solutions for more than three decades with in-house designing, developing and manufacturing capabilities. Their offerings are powertrain agnostic, catering to electric vehicle ("EV") as well as internal combustion engine ("ICE") OEMs. Their brand "ASK" is recognized as the leading brand in the 2W IAM in terms of production volume for Fiscal 2023 in India.

Their in-house design and engineering capabilities enable them to deliver complex precision components and solutions with a focus on quality and have allowed them to diversify their business in both the automotive and non-automotive sectors. They commenced their operations in 1989 by manufacturing brake shoe products for 2Ws and have since diversified their operations to include offerings such as: (i) AB systems; (ii) aluminum light weighting precision ("ALP") solutions, where they are a prominent player for 2W OEMs in India with a market share of 9% in Fiscal 2023 in terms of production volume (iii) wheel assembly to 2W OEMs; and (iv) safety control cables ("SCC") products. They supply their portfolio of AB systems, ALP solutions, wheel assembly, and SCC products to OEMs in (i) the automotive sector for 2Ws, three wheelers ("3Ws"), passenger vehicles ("PVs") and commercial vehicles ("CVs"), and (ii) the non-automotive sector for all-terrain vehicles ("ATVs"), power tools and outdoor equipment.

Braking systems and SCC are considered critical for road safety, requiring technological knowhow and R&D to develop effective and economical products. Furthermore, braking products have high entry barriers because they are developed using proprietary material formulations and manufacturing knowhow. SCC are important parts in the automotive industry, used in motorcycles, scooters, mopeds and 2W EVs to actuate, control and operate critical applications including brake, accelerator, clutch, transmission gear, speedometer, fuel lid, seat lock, choke and battery charging lid. ALP solutions and products improve performance, safety and efficiency by reducing the weight of components, and assisting in thermal management, thereby increasing durability. Precision aluminum alloy parts are a critical requirement of the industry, and they are also environmentally friendly and meet end-of-life compliance standards for vehicles. Company supply their products to all of the top six 2W OEMs (in terms of production volume and value in Fiscal 2023) in India, the largest motorized 2W market in the world, with domestic sales of 16.25 million units during Fiscal 2023.

Valuation

ASK Automotive Limited is a well-established manufacturer of safety systems and critical engineering solutions for some of India's largest original equipment manufacturers with technology and innovation-driven manufacturing process, with an extensive suite of systems and solutions for electric vehicle ("EV") as well as internal combustion engine ("ICE") sectors and long-standing customer relationships with both Indian and global OEM players with Robust production model driven by research and development ("R&D") and design

At the upper price band company is valuing at P/E of 41x, EV/EBITDA 25x with a market cap of ₹ 55,594 million post issue of equity shares.

We believe that valuations of the company is fairly priced and recommend a **"Subscribe- Long Term"** rating to the IPO.

Description of Products

AB systems

The braking system is one of the most critical parts in a vehicle for safety reasons. Braking systems have become increasingly important and complex, given more powerful vehicles being introduced in the market along with developments in road infrastructure; an effective braking system is necessary to stop vehicles at high speeds while also ensuring the safety profile of the vehicle and reduced noise pollution.

In addition, growing safety standards have also made these improvements to braking systems essential. They manufacture braking systems, such as brake shoes, disc brake pads, brake linings and brake assembly. Their products in their braking category are highly engineered and require advanced manufacturing processes to maximize end user performance. Given the importance of braking systems in automotive systems, a high level of accuracy and adherence to high safety standards is required.

This necessitates coordination between component manufacturers and OEMs throughout the product development cycle from design to testing, validation to delivery, which is also backed by R&D and technical support of their partners. OEMs typically have an extensive and detailed vendor approval process and generally have long gestation periods to onboard a new supplier.

Their material engineering capabilities and proprietary formulations allow them to manufacture critical and complex braking systems that they provide to their key customers including HMSI, HMCL, TVS, Suzuki, Bajaj, and Yamaha. Company's revenue from this category increased at a CAGR of 14.32% from ₹8,165.45 million in Fiscal 2021 to ₹10,672.27 million in Fiscal 2023 and represented 41.77% of their revenue from operations in Fiscal 2023. Revenue from this category decreased by 6.36% from ₹2,659.66 million in the three months ended June 30, 2022 to ₹2,490.61 million in the three months ended June 30, 2023, and represented 37.94% of their revenue from operations in the three months ended June 30, 2023.

AB Systems – Brake panel assembly, brake shoes, disc brake pad, brake lining.

Brake Panel Assembly



Brake Shoe



Brake Pads



Brake Linings



ALP solutions

Light weighting is a crucial aspect for the transport sector in improving vehicle performance, energy efficiency and emissions, and making safer vehicles. They use aluminium for light weighting to improve performance standards, safety, and corrosion, given that aluminium can be 40% lighter than steel and is frequently used to build lighter and stronger vehicles. The metal possesses high thermal conductivity which can assist in moving heat away from critical components such as battery and electronics in an EV where high heat can adversely affect the performance and safety of the vehicle.

Given use of Aluminium, they were able to penetrate the EV sector with their light weighting solutions. Their business in ALP solutions is further sub-divided into engine parts, body/chassis parts, transmission parts, electrical/electronics parts, e-powertrain and EV-specific components. Their key products in their ALP sub-category include battery pack housing, de-casing motor, electric control unit ("ECU") housing, heat sinks for thermal management system, geared pulley for e-powertrain, crank case, crank case cover, wheel hub, cylinder block, rider handle, throttle body, engine cover, footrest assembly, flange final sub-assembly, filter housing for different industry sectors including for 2W (EV and ICE), PV, CV and non-automotive applications such as ATVs, power tools and outdoor equipment.

Given their engineering capabilities in this category, they cater to domestic and export markets, and their key customers include HMSI, HMCL, TVS, Yamaha, Suzuki, Royal Enfield (a unit of Eicher Motors Limited) ("Royal Enfield"), Polaris, Denso Haryana Private Limited ("Denso"), Stanley Black & Decker, MTD Products, Brembo Brake India Private Limited ("Brembo"), Dell'orto India Private Limited, UFI Filters, Magneti Marelli Powertrain India Private Limited, and Knorr Bremse Systems for Commercial Vehicle Private Limited ("Knorr Bremse"). Revenue from this category increased at a CAGR of 42.41% from ₹4,897.04 million in Fiscal 2021 to ₹9,931.65 million in Fiscal 2023 and represented 38.87% of their revenue from operations in Fiscal 2023. Revenue from this category increased by 17.55% from ₹2,388.28 million in the three months ended June 30, 2022 to ₹2,807.38 million in the three months ended June 30, 2023, and represented 42.76% of their revenue from operations in the three months ended June 30, 2023.

Demolition Hammer Housing



Structural Arm - ALP



Crank Case R



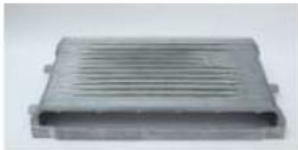
EV Motor Housing



ND Casing



Battery Housing



ECU Casing



ECU Body



Pulley



Heat Sink Thermal Management



SCC

Control cables are key component systems of the automobile industry and are used in motorcycles, scooters, mopeds, and EVs to actuate, control and operate applications such as brake, accelerator, clutch, transmission, gear, speedometer, fuel lid, seat lock, choke, and battery charging lid. They manufacture a comprehensive range of control cables, and their key SCC products include front brake cable, rear brake cable, combi brake cable, seat lock cable, throttle cable, fuel lid cable clutch cable, speedometer cable, cable seat latch, battery lid cable, for 2Ws, PVs and heavy CVs. Their key customers include HMSI, HMCL and Suzuki. Their revenue from SCC products increased at a CAGR of 42.62% from ₹437.01 million in Fiscal 2021 to ₹888.93 million in Fiscal 2023 and represented 3.48% of their revenue from operations in Fiscal 2023. Revenue from this category increased by 54.48% from ₹150.23 million in the three months ended June 30, 2022 to ₹232.08 million in the three months ended June 30, 2023, and represented 3.54% of their revenue from operations in the three months ended June 30, 2023.

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

Seating Cables



Front Brake Cable Assembly



Rear Brake Cable Assembly



Throttle Cables



Speedometer Cables



Wheel Assembly

Wheel assembly service lines follow customers’ instructions and specifications in assembling components supplied by the customer and/ or other vendors. They provide wheel assembly services to certain 2W OEMs in India and propose to convert their service arrangements into job-work agreements in the coming years.

Revenue from wheel assembly services increased at a CAGR of 44.32% from ₹1,687.11 million in Fiscal 2021 to ₹3,513.98 million in Fiscal 2023 and represented 13.75% of their revenue from operations in Fiscal 2023. Revenue from this category increased by 23.65% from ₹724.17 million in the three months ended June 30, 2022 to ₹895.46 million in the three months ended June 30, 2023, and represented 13.64% of their revenue from operations in the three months ended June 30, 2023.

Strengths:

- **Well established manufacturer of safety systems and critical engineering solutions for some of India's largest original equipment manufacturers ("OEMs").**

Company 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 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. They supplied their products to all of the top six 2W OEMs (in terms of production volume and value) in India during Fiscal 2023.

They are the largest manufacturer of brake-shoe and AB systems for 2Ws in India with a market share of approximately 50% in Fiscal 2023 in terms of production volume for OEMs and the branded IAM, on a combined basis. Furthermore, they were among the prominent players in the SCC products and ALP solutions for 2W OEMs in India, based on production volume in Fiscal 2023. Their market share in ALP solutions was 9% by production volume for 2W OEMs in India in Fiscal 2023. They have also been focused on increasing their presence in the 3W, PV and CV sectors. They currently supply products to a PV manufacturer in the small car segment in India, among other OEMs in the automotive sector. They have a comprehensive portfolio of EV and powertrain-agnostic products and as of June 30, 2023 were supplying safety systems and critical engineering solutions to nine 2W EV OEMs in India. In addition, they are developing capabilities for product migration from steel and plastics to Aluminum, for light weighting and thermal management for e-powertrain and e-powertrain products. They also develop and supply select ALP solutions for a wide range of non-automotive applications. Their customers include ATV manufacturers such as Polaris, power tool manufacturers such as Stanley Black & Decker and outdoor equipment manufacturers such as MTD Products.

- **Robust production model driven by research and development ("R&D") and design with an emphasis on: (i) advanced material knowledge to customize systems and products based on customer specifications and (ii) engineering lighter precision products.**

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. Their R&D capabilities for AB systems include developing proprietary formulations using advanced material engineering, and customizing the manufacturing process to meet various parameters as specified by their customers.

They develop proprietary formulations through their advanced material engineering and their in-house R&D, design and manufacturing capability. The precision engineering capabilities of their design and R&D teams have enabled them to develop and deploy light weighting and thermal management solutions across automotive and non-automotive sectors, which help provide them with a competitive advantage in terms of quality, cost and delivery ("QCD") parameters. As of June 30, 2023, their total staff (i.e., workforce excluding shop-floor personnel) comprised 365 engineering graduates of which 76 were full-time employees of their R&D and engineering department, which represented 5.84% of their staff and 20.82% of the engineers employed as part of their staff. Their R&D efforts are focused on developing new formulations to address the changing ESG and safety standards.

As of June 30, 2023, they had a portfolio of 52 proprietary formulations (out of which seven had been licensed to them) that they use in the production of AB systems for 2Ws, 3Ws, PVs and CVs, meeting stringent safety, durability and performance specifications of EV and ICE OEMs. They implement product and process improvements through field trials, supported by their R&D and engineering department that tracks real time data using advanced data logger systems. Their R&D centre is equipped with advanced dynamometers that imitate realistic scenarios for measuring performance, product life and noise levels in their AB systems. The use of such data loggers and dynamometers enables them to design formulations to suit their customers' evolving specifications and enhance market adaptability of their systems and solutions. They have also invested in testing equipment and software to enhance their product design capabilities. Similarly, their R&D capabilities for their ALP solutions include the ability to design and prototype complex components and parts, and deliver on specific light weighting specifications to meet all safety and performance requirements for their customers. Their R&D initiatives have also enabled their customers to seek import substitution (i.e., encouraging production in the domestic markets to limit the extent of imports).

- **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. Furthermore, they have a demonstrated track record of developing technologically advanced products as per the requirements of their customers. Their technology and innovation focus also complements their manufacturing capabilities. They have introduced automation in their manufacturing processes that allows them to combine operations, eliminate multiple operators, retain control over their proprietary formulations and increase efficiency, while controlling costs and maintaining consistent product quality. Furthermore, their production line configurations are fungible, allowing them to interchange capacity and product mix between product categories within and across automotive and non-automotive sectors, based on customer and operational requirements. Companies fungible production line configurations coupled with their recent shift in operations from ASK-6 (Manesar, Haryana) to ASK-12 (Manesar, Haryana) (which is a larger facility), have enabled them to optimize their machine productivity and operational efficiency.

Their offerings in the automotive sector are powertrain-agnostic, catering to the EV as well as ICE OEMs. The table below sets forth their revenue from 2W OEMs (EV and ICE) for the periods stated:

Particulars	Three months ended June 30, 2023		Three months ended June 30, 2022		2023		2022		2021	
	Revenue (₹ millions)	% of revenue from operations from 2W OEMs	Revenue (₹ millions)	% of revenue from operations from 2W OEMs	Revenue from sales of products (₹ millions)	Contribution to total revenue from sales of products (%)	Revenue (₹ millions)	% of revenue from operations from 2W OEMs	Revenue (₹ millions)	% of revenue from operations from 2W OEMs
2W OEM-ICE	4,731.00	94.62%	4450.13	98.24%	18962.50	97.70%	14,450.02	99.35%	10,815.26	100.00%
2W OCE- EV	269.06	5.38%	79.79	1.76%	447.22	2.30%	94.64	0.65%	0.22	0.00%
Total revenue from OEM-2W	5,000.06	100.00%	4529.92	100.00%	19409.72	100.00%	14,544.66	100.00%	10,815.48	100.00%

➤ **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). 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.

Given the safety and precision engineering aspect of their products, they are involved at the early stage of development of vehicle models by their customers. Furthermore, apart from QCD and other parameters, their design and R&D capabilities have contributed towards the building of these long-standing relationships. Their ability to work closely with their customers, providing them with safety systems and customized critical engineering solutions, extensive experience in manufacturing precision and lightweighting products have contributed to their long-standing relationships with key 2W OEMs in India. Furthermore, they have a demonstrated track record of value addition and value engineering capabilities, helping their customers in import substitution (i.e., encouraging production in the domestic markets to limit the extent of imports).

Their customers benefit from a faster turnaround time on account of their in-house tooling and prototyping capabilities. In addition, their facilities are located at strategic locations across India in proximity to key OEMs, enabling them to engage in greater customer interaction and respond quickly to their needs.. They attribute their long-standing relationships with their customers to their focus on timely delivery, quality consciousness, cost efficiency, design, tooling and technological capabilities. They intend to diversify and expand their business operations in accordance with the evolving needs of their customers and intend to leverage their long-standing relationship with such market players allows them to leverage industry tailwinds in the automotive sector.

Key Strategies:

➤ **“Electrification”– further strengthen their position in the growing EV sector in India.**

The key trends and growth drivers for electrification include changes in regulations and policies, total cost of ownership, growing awareness about environmental issues and swappable batteries to address challenges associated with charging infrastructure. The GoI, through various ministries, has formulated policies, such as the FAME II subsidy policy, for the development of the EV sector in India. The global trend toward vehicle electrification in particular provides us with growth opportunities in the EV sector. Momentum for EVs is being driven by a number of factors, including a global recognition of the need for clean mobility; norms, targets and incentives provided by several governments to promote EV adoption; improving affordability and performance of EVs; the rapid expansion of EV charging infrastructure; and OEM plans for electrification. Growing population and urbanization provide 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 EV's and reducing battery prices due to increase in production capacities across the world. Their product offerings are powertrain-agnostic, catering to the EV as well as ICE sectors of 2Ws, 3Ws, PVs and CVs. Going forward, their commitment and focus towards ESG will continue increasing as they plan to increase the EV share of their revenue. While they currently offer their products to pure-play 2W EV OEMs in India such as Ather, Greaves and Revolt, they also supply products to existing customers such as TVS, HMCL and Bajaj for their recently launched range of 2W EVs as they transition to EV. Company intend to similarly capitalize on the EV transition of their existing 2W OEM customer base.

➤ **Continue to focus on their design, research and development (“R&D”) and engineering capabilities to develop innovative systems and solutions, as well as improve their manufacturing efficiencies**

Their business is driven by innovation and technology, and they have been identifying, planning and addressing industry disruptions by bringing new solutions to the market. Company use R&D to continuously enhance their advanced material engineering capabilities to formulate advanced materials for braking systems meeting stringent safety, durability and performance specifications for EV and ICE OEMs. As of June 30, 2023, their total staff (i.e., workforce excluding shop-floor personnel) comprised 365 engineering graduates of which 76 were full-time employees of their R&D and engineering department, which represented 5.84% of their staff and 20.82% of the engineers employed as part of their staff. The growing need for safety systems in the automotive sector is expected to increase demand for efficient

automotive brake components such as, brake shoes, brake pads, brake liners, brake callipers and brake panel assembly. Ongoing product development using their design, R&D and engineering capabilities remains a core focus area for their Company, and they aim to continue this in the future.

They regularly work with OEMs to develop customized products for them, including those which were traditionally produced by them in-house. This enables them to increase wallet share, while simultaneously enabling them to diversify their product basket, offering OEMs with newer solutions for their existing products, thereby also increasing the content per vehicle of their products. For instance, the successful migration from sintered material to Aluminium in e-power train geared pulleys, has led to increased adoption of ALP solutions in 2W EVs. In Fiscal 2022, they developed e-powertrain geared pulleys using Aluminium for a 2W EV OEM to achieve light weighting for their vehicles.

They are also currently developing capability for product migration from steel and plastics to Aluminium, for light weighting and thermal management for e-powertrain and e-powertrain products. The core philosophy of their Company is continued focus on driving operational excellence, which they have achieved by way of continuous development and improvement of their manufacturing processes and QCD parameters. As a manufacturing company, they continue to strive to achieve higher operational efficiencies and cost optimization, developing long-standing relationships with their OEM customers. Furthermore, their tooling capabilities, automation of manufacturing processes, adherence to high standards of quality and consistency help in achieving operational efficiency and maintain their QCD parameters. As a result of their efficiency efforts, they have been able to deliver RoACE of 5.31% and 4.63% in the three months ended June 30, 2023 and June 30, 2022, respectively (not annualized), and RoACE of 22.06%, 16.76% and 21.98% in Fiscals 2023, 2022 and 2021, respectively.

➤ **Further diversify their product offerings in the AB systems and ALP solutions categories and expand their addressable market**

Company intend to leverage their established and long-standing customer relationships and explore opportunities to grow along the value chain by expanding the suite of their existing offerings across sectors, products and processes. As part of their strategy, they have already expanded their business from providing safety systems and critical engineering solutions for 2W OEMs to providing critical engineering solutions to PV OEMs.

Sector diversification

- Company intend to develop and manufacture additional safety systems and critical engineering solutions for CV and PV OEMs, where they can leverage their engineering capabilities. With a demonstrated track record of developing safety systems and critical engineering solutions for the automotive and non-automotive sectors, company believe their manufacturing capabilities can be further leveraged to cater to several non-automotive sectors, such as the ATV, power tools, defence and agriculture sectors. Furthermore, their existing key product families in the automotive sector have multiple applications across various non-automotive sectors as well.

Product and process diversifications

- Their long-standing experience and market leadership in AB systems in India along with their manufacturing capabilities, positions them well to cross-sell their ALP solutions and SCC products. Over the years in the ALP solutions category in particular, they have focused on moving up the value chain of complexity and specialization by enhancing their manufacturing capabilities to produce complex precision components for several of their customers. As their technological capabilities evolve, they intend to increase their focus on further diversifying their product portfolio while also providing more complex precision engineered components to their customers across the world.
- They have grown to have an established presence as an AB manufacturer in India, scaled their ALP solutions significantly, and have recently entered the SCC business, illustrating their ability to diversify their business. They intend to similarly expand their capabilities and introduce low pressure die-casting ("LPDC") and gravity die-casting ("GDC") at their manufacturing facility Bhiwadi, Rajasthan, in addition to their existing high pressure die-casting ("HPDC") capabilities.

➤ **Leverage export opportunities and enter new markets.**

They exported their products to 12 countries in Fiscal 2023 and the three months ended June 30, 2023, as illustrated below:



They intend to enter new markets by leveraging their existing relationships with customers outside India. Their export customers include Stanley Black & Decker, Polaris and MTD Products. Furthermore, they are focused on increasing their export revenues for their AB systems and ALP solutions. Their export revenue (net) has grown by 82.29% from ₹210.62 million in the three months ended June 30, 2022 to ₹383.93 million in the three months ended June 30, 2023, and at a CAGR of 29.95% from ₹550.49 million in Fiscal 2021 to ₹929.68 million in Fiscal 2023, demonstrating a track record of growth, and of navigating changes in the global automotive systems and manufacturing industry, and with their technological and manufacturing capabilities, seek to benefit from the China-plus-one strategy being adopted by OEMs globally. Company intend to focus on consolidating their market share in India while increasing their global presence across their existing portfolio of AB systems, ALP solutions and SCC products. To that end, they established a dedicated export desk in Fiscal 2022 to manage their existing export portfolio and explore new markets outside India.

➤ **Increased focus on IAM sales and spares.**

Company's growth strategy involves expanding their distribution network with a wide portfolio of technologically advanced critically engineered products for the IAM across India. They serve IAM across the 2W, 3W, and PV sectors supplying their AB systems and SCC products. They have also strengthened their presence in the CV sector through their Joint Venture AFFPL, which has been supplying AB products in the IAM for CVs in India and globally. Revenue from the IAM grew at a CAGR of 9.15% from Fiscal 2021 to Fiscal 2023. The table below sets forth revenue from the IAM for the periods stated:

Particulars	Three months ended June 30, 2023		Three months ended June 30, 2022		2023		2022		2021	
	Revenue (₹ millions)	% of revenue from operations from 2W OEMs	Revenue (₹ millions)	% of revenue from operations from 2W OEMs	Revenue from sales of products (₹ millions)	Contribution to total revenue from sales of products (%)	Revenue (₹ millions)	% of revenue from operations from 2W OEMs	Revenue (₹ millions)	% of revenue from operations from 2W OEMs
Revenue from IAM	581.59	8.86%	678.48	11.24%	2803.42	10.97%	2,546.21	12.65%	2,353.15	15.24%

They intend to increase their focus on their IAM sales service to capitalize on significant opportunities for growth in the future. They aim to further expand their IAM presence and reinforce their brand image and visibility, allowing them to capture additional market share and enhance their brand positioning, particularly with IAM sales being a business-to-consumer channel. Their leadership in the OEM and OES market for 2W AB systems, combined with their brand recall and global distribution network, allow them to reduce the time taken to enter newer markets and sectors in the IAM for their AB systems and SCC products. Going forward, they intend to grow their IAM sales through a variety of initiatives, including increasing product penetration through the introduction of new products and models by OEMs and expanding their distribution network in India

Industry Snapshot:

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 off take generally sees a downturn.

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	2.40%	4-6%	1.11	2-4%
PVs	3.89	3.40%	5-7%	5.58	6-8%
2Ws	16.25	-4.30%	8-10%	26.28	9-11%
3Ws	0.49	-5.10%	29-31%	0.94	13-15%

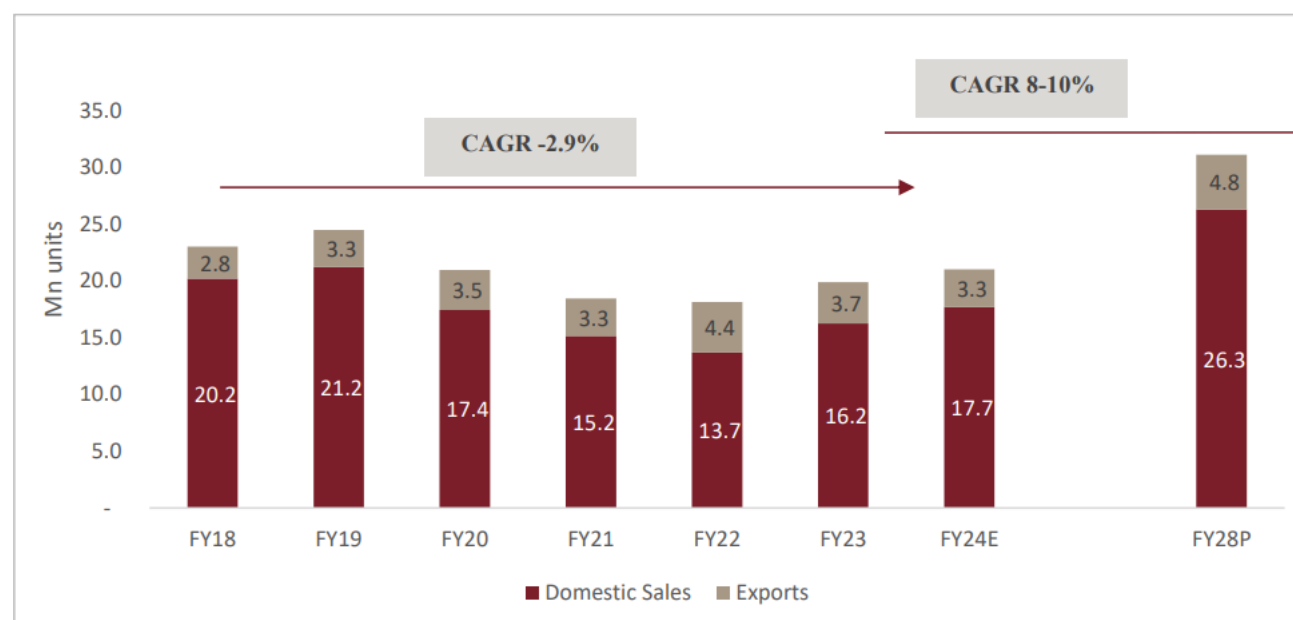
Review of and outlook on the 2W industry between Fiscal 2018 and Fiscal 2028P

India is the largest motorized 2W market in the world, with domestic sales of 16.25 million units in Fiscal 2023. It constitutes approximately 76% of the total market comprising 2Ws, 3Ws, PVs and CVs by volume; and approximately 16% in value terms (approximately Rs 1,056 billion). Furthermore, India is also one of the largest exporters of 2Ws in the world.

The Indian 2W production grew at a CAGR of -2.9% between Fiscal 2018 and Fiscal 2023, because of lower output in Fiscal 2020, owing to the transition to BS-VI norms and the COVID-19 pandemic-triggered challenges in Fiscal 2021. However, between Fiscal 2016 and Fiscal 2019, the industry posted 9% CAGR thanks to good monsoon, favorable economic situation, and rising exports.

2W demand in India declined at a meagre 2% CAGR between Fiscal 2016 and Fiscal 2021, after seeing double-digit decline of 18% in Fiscal 2020. Domestic 2W sales volume further declined by 13% in Fiscal 2021 due to nationwide and local lockdowns to contain the spread of COVID-19 and the subsequent toll on economic activity actively affected the income of the average 2W buyer. However, exports clocked 5% CAGR over the same period.

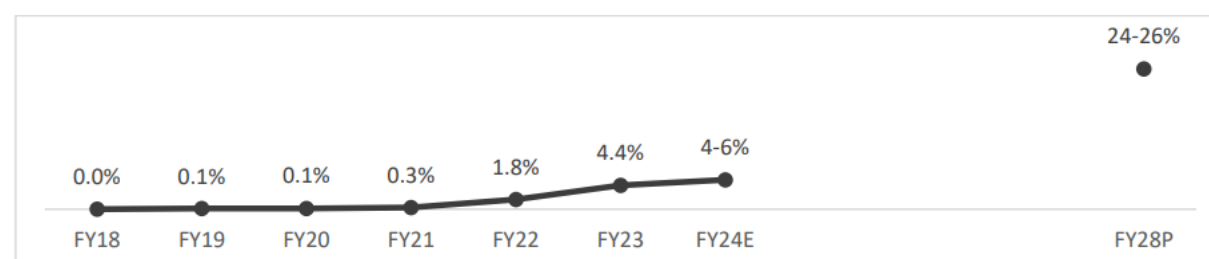
2W production volume



EV penetration

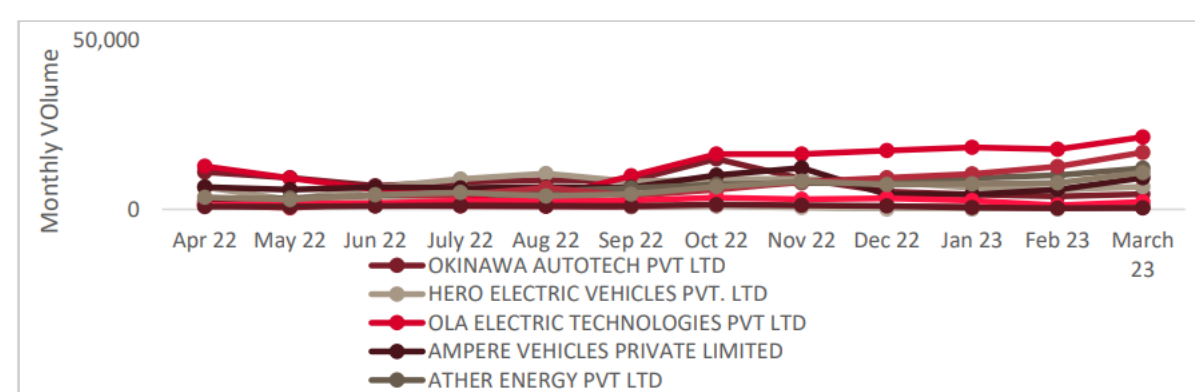
To curb pollution levels, EVs are gaining global interest. In India as well, EVs are gaining popularity as the government is extending support via Faster Adoption and Manufacturing of Hybrid and Electric ("FAME") II vehicles and tax rate cuts to encourage EV adoption. Furthermore, growing awareness and 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.



Source: SIAM, SMEV, VAHAN, CRISIL MI&A

Monthly retail sales of electric two-wheeler ("e-2W") in Fiscal 2023

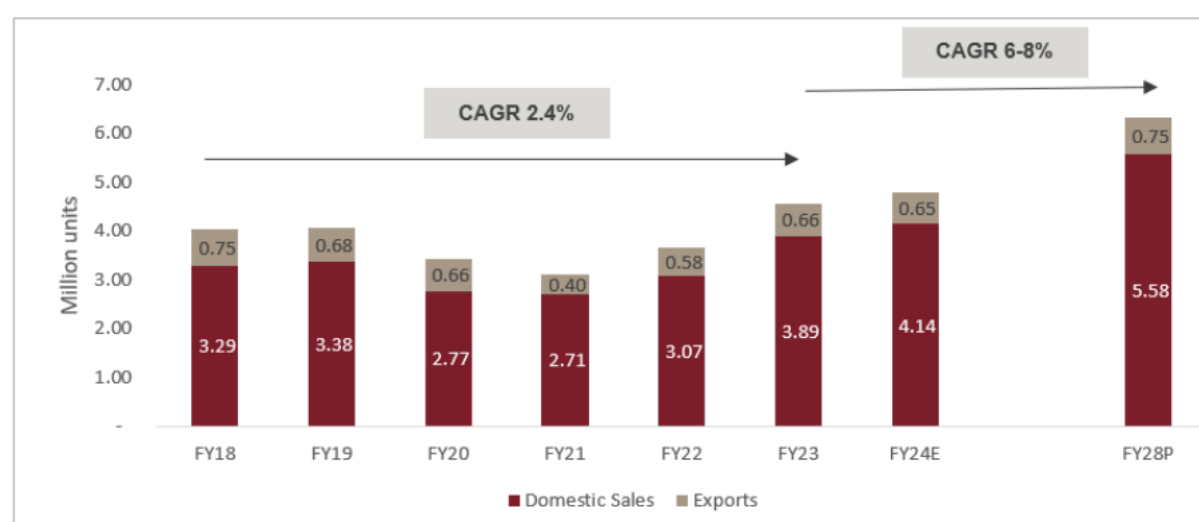


Review of and outlook on the Indian passenger vehicle industry between Fiscal 2018 and Fiscal 2028P

The Indian passenger vehicle market recorded domestic sales of 3.89 million units in Fiscal 2022, accounting for approximately 18% of the total market of 2Ws, 3Ws, passenger vehicles and commercial vehicles by volumes and approximately 62% in value terms at approximately Rs 4,210 billion. Production of PVs in India recorded a healthy 5.2% CAGR between Fiscal 2016 and Fiscal 2019 due to a spurt in domestic and export demand.

Domestic demand was driven by expansion in the addressable market, development of infrastructure, and the stable cost of vehicle ownership, as crude oil prices remained low except in the few months when output was reduced due to sanctions imposed on Iran. CRISIL MI&A estimates overall PV production to grow at a 6-8% CAGR from Fiscal 2023 to Fiscal 2028 to approximately 6.33 million units by Fiscal 2028. After a consecutive drop in production in Fiscal 2020 and Fiscal 2021, PV production is expected to increase at a robust pace over the next five Fiscals because of a spurt in domestic as well as export demand.

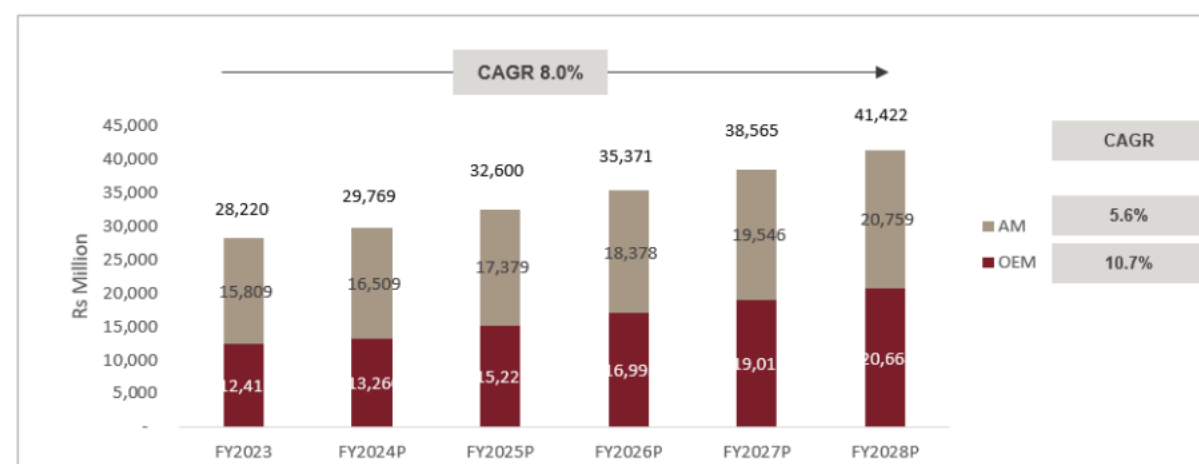
Review of and outlook on PV production



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

Review of and outlook on advanced braking systems in two-wheelers ("2Ws") and three-wheelers ("3Ws")

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: CRISIL MI&A

The market for advanced braking systems is estimated to have stood at Rs 28,220 million in 2023 and is projected to clock a CAGR of 8.0% between 2023 and 2028 to reach Rs 41,422 million. Key players in the braking solutions market are ASK Automotive Limited, Allied Nippon, Endurance Technologies, and Brembo. ASK Automotive Limited has the leading market share in the brake-shoe and advanced braking segment in India, in terms of production volume (units) for 2W OEMs, with a market share of about 50% in Fiscal 2023 for OEM and branded IAM combined.

Review of and outlook on advanced braking systems in passenger vehicles ("PVs") and commercial vehicles ("CVs") between Fiscal 2023 and Fiscal 2028P

Advanced braking systems in the PV segment include DBPs. Intensity of DBPs used in each vehicle changes based on the OEM configuration. Most of the lower or medium-priced cars use drum brakes or a combination of disc and drum brakes, whereas higher priced cars use disc brakes on all four wheels. In the case of the former, the number of DBPs could be zero or four, and in the latter case, it would be eight. The domestic market for EV advanced braking solutions is growing as most OEMs are planning the launch of new EV models. Although most of the modern EVs uses regenerative braking systems, traditional braking systems, which are compatible with these new technologies, are expected to play a major role. Advanced braking systems in the CV segment include brake lining and body (modulator and park relay). The intensity of brake linings used in each vehicle changes with the number of axles.

The market for advanced braking systems stood at an estimated Rs 26,079 million in 2022. The market is projected to log a CAGR of 9.9% between 2023 and 2028 to reach Rs 41,780 million. Among the products considered, OEM braking solutions is the fastest growing segment; however, the export market is largest. Key players in the braking solutions market are Brakes India, Rane Holdings, Bosch, Allied Nippon, Sundaram Brake linings, ASK Fras-le, Hindustan Composites and Masu Brake Pads.

Review of and outlook on the aluminium light weighting precision solutions market between Fiscal 2023 and Fiscal 2028P

The aluminium light weighting precision solutions market includes segments covering engine parts, body and chassis parts, transmission parts, electrical and electronic-and EV-specific components, catering to the motorcycle, scooter, PV, CV segments for both ICE and EVs. The aluminium die casting market in India will be led by the availability of skilled workforce and government incentives for MSME businesses, emission norms in the automotive segment, and favorable domestic and export scenarios for the automobile sector.

EVs are set to increase the demand for aluminium components as the increased adoption of electrification to result in additional focus on light weighting thereby increasing the usage of aluminium products in the 2W, 3W and PV segment. Aluminium helps in reducing the vehicle weight thereby improving the range of EVs. New product innovations for use in EVs could raise the average quantity of aluminium used per vehicle in India to match global standards. Applications of aluminium in EVs include lightweight battery casings, motor housings and heat exchangers, besides overall structural integration. The ability to absorb a larger amount of crash energy, better strength-to-weight ratio ensuring vehicle performance enhancement is key attraction point of aluminium. These components are manufactured using complex engineering processes. Given their criticality to automotive systems, a high level of precision and adherence to high standards of quality is also required.

This necessitates close coordination between component manufacturers and OEMs throughout the product cycle from design to testing and validation to delivery. As a result, OEMs typically have an extensive and detailed vendor approval process and generally have longer gestation periods to onboard a new supplier. The significant time and effort in the approval process results in OEMs typically preferring not to switch vendors unless there have been specific quality and cost issues.

➤ Accounting ratios

Particulars	As at and for the three months ended June 30,		As at and/or for the Fiscal Year ended March 31,		
	2023	2022	2023	2022	2021
Revenue from Operations	6565.08	6037.35	25551.67	20130.83	15439.92
Revenue Growth (%)	8.74%	NA	26.93%	30.38%	NA
EBITDA	647.44	517.35	2475.45	1822.58	2101.12
EBITDA Margin (%)	9.85%	8.53%	9.65%	9.00%	13.40%
Profit after tax for the period/year ("PAT")	348.29	225.54	1229.53	826.59	1062.01
PAT Margin (%)	5.30%	3.72%	4.79%	4.08%	6.77%
Return on average equity (RoAE) (%)	5.25%	3.49%	19.27%	13.33%	17.00%
Return on Average Capital Employed (RoACE) (%)	5.31%	4.63%	22.06%	16.76%	21.98%
Average Debt to EBITDA ratio	5.44	3.17	0.97	0.66	0.38
Debt to Equity Ratio (Gearing Ratio)	0.57	0.26	0.49	0.25	0.13
Operating Cash Flow to EBITDA Ratio	31.68%	61.22%	55.98%	79.13%	60.90%
Asset Turnover Ratio	0.48	0.53	2.14	1.96	1.63
Working Capital Days	30.28	22.05	27.74	26.60	28.82

➤ Comparison with listed peers

Name of the company	Face value	P/E	EV/EBITDA Ratio	Revenue from operations for Financial Year 2023 (₹ million)	EPS (Basic) (₹)	EPS (Diluted) (₹)	RONW (%)	NAV per equity share (₹)
ASK Automotive Limited	2	41.29	25.13	25,551.67	6.24*	6.24**	19.10%	32.66
Listed peers								
Endurance Technologies Limited	10	46.36	21.00	88,040.46	34.09	34.09	10.87%	313.67
Uno Minda Limited	2	52.59	27.52	1,12,364.90	11.42	11.37	15.73%	72.53
Suprajit Engineering Limited	1	35.49	17.18	27,523.55	10.99	10.98	12.42%	88.48
Bharat Forge Limited	2	98.86	30.45	1,29,102.59	11.35	11.35	7.88%	144.02

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on October 16, 2023.

2) ** P/E of company is calculated on EPS of FY23 and post issue no. of equity shares issued.

Key Risk:

- 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 impact their business, results of operations and financial condition.
- 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.

- Their business and profitability is substantially dependent on the availability and cost of raw materials, including Aluminium, and any disruption to the timely and adequate supply of raw materials, or volatility in the prices of raw materials may adversely impact their business, results of operations and financial condition.
- 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.
- 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.
- Company have undertaken and may continue to undertake technical collaborations, joint ventures, strategic investments, alliances and acquisitions in the future, which may be difficult to integrate and manage, exposing them to risks that could adversely affect their business.
- The availability of counterfeit products and their failure to keep their technical knowledge confidential may have adverse effects on their business and results of operations.
- Product liability and other civil claims and costs incurred because of product recalls could harm their business, results of operations and financial condition.
- They use third-party dealers to market, sell and deliver products in the independent aftermarket ("IAM") category and are subject to risks associated with these arrangements.
- Company outsource certain operations of their business such as transport, logistics and other processes to third parties. Any failure by such third parties to deliver their services could have an adverse impact on their business.

Valuation:

ASK Automotive Limited is a well-established manufacturer of safety systems and critical engineering solutions for some of India's largest original equipment manufacturers with technology and innovation-driven manufacturing process, with an extensive suite of systems and solutions for electric vehicle ("EV") as well as internal combustion engine ("ICE") sectors and long-standing customer relationships with both Indian and global OEM players with Robust production model driven by research and development ("R&D") and design

At the upper price band company is valuing at P/E of 41x, EV/EBITDA 25x with a market cap of ₹ 55,594 million post issue of equity shares.

We believe that valuations of the company is fairly priced and recommend a **"Subscribe- Long Term"** rating to the IPO.

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