

## IPO Note

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# ASK AUTOMOTIVE LIMITED

November 07, 2023





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**Details of the Issue**

Price Band	₹ 268 - ₹ 282
Issue Size	₹ 834 Cr
Face Value	₹ 2
Bid Lot	53
Listing on	BSE, NSE
Post Issue Mcap	₹ 5,559 Cr
Investment Range	₹ 14,204 - ₹ 14,946

**Important Indicative Dates (2023)**

Opening	07 - Nov
Closing	09 - Nov
Basis of Allotment	15 - Nov
Refund Initiation	16 - Nov
Credit to Demat	17 - Nov
Listing Date	20 - Nov

**No of shares (Mn)**

Fresh Issue of Shares	6.51
Offer for Sales	1.25
Total No of Shares	7.71

**Lead Manager**

ICICI Securities Limited
JM Financial Services Limited
Axis Capital Limited
IIFL Securities Limited

**Offer Details**

Offer Size	₹ 834 Cr
Fresh Issue	₹ 834 Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	417	14.78	15.55	50
NIB	125	4.43	4.66	15
Retail	292	10.35	10.89	35
Em-ploy.	-	-	-	-
Total	834	29.57	31.11	100

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**Company Profile**

Incorporated in 1988, 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 HMT, 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. As of FY2023, company has 50% market share in India in terms of production volumes for OEM and the branded independent aftermarket services on a combined basis.

The company's manufacturing facilities have world-class certifications in quality and safety including IATF 16949:2016, ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018.

**Business Highlights & Services**

Company is 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. Company have been supplying safety systems and critical engineering solutions for more than three decades with in-house designing, developing and manufacturing capabilities. Its offerings are powertrain agnostic, catering to electric vehicle ("EV") as well as internal combustion engine ("ICE") OEMs. Company brand "ASK" is recognized as the leading brand in the 2W IAM in terms of production volume for Fiscal 2023 in India.

Its 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 its business in both the automotive and non-automotive sectors. It commenced operations in 1989 by manufacturing brake shoe products for 2Ws and have since diversified its operations to include offerings such as: (i) AB systems; (ii) aluminium lightweighting precision (ALP) solutions, where it is 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. It supply its 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.

The following table sets forth our revenue from operations across offerings for the periods indicated, including as a percentage of our revenue from operations:

Particulars	Three months ended June 30, 2023		Three months ended June 30, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amount (₹ million)	% of total revenue from operations	Amount (₹ million)	% of total revenue from operations	Amount (₹ million)	% of total revenue from operations	Amount (₹ million)	% of total revenue from operations	Amount (₹ million)	% of total revenue from operations
AB systems <sup>(1)</sup>	2,490.61	37.94%	2,659.66	44.05%	10,672.27	41.77%	9,287.18	46.13%	8,165.45	52.89%
ALP solutions	2,807.38	42.76%	2,388.28	39.56%	9,931.65	38.87%	7,556.74	37.54%	4,897.04	31.72%
Wheel assembly <sup>(2)</sup>	895.46	13.64%	724.17	11.99%	3,513.98	13.75%	2,408.96	11.97%	1,687.11	10.93%
SCC products	232.08	3.54%	150.23	2.49%	888.93	3.48%	509.66	2.53%	437.01	2.83%
Others <sup>(3)</sup>	139.55	2.12%	115.01	1.91%	544.84	2.13%	368.29	1.83%	253.31	1.64%
<b>Revenue from Operations</b>	<b>6,565.08</b>	<b>100.00%</b>	<b>6,037.35</b>	<b>100.00%</b>	<b>25,551.67</b>	<b>100.00%</b>	<b>20,130.83</b>	<b>100.00%</b>	<b>15,439.92</b>	<b>100.00%</b>



Company is a technology-driven business with over 30 years of experience in custom product development. It specializes in advanced material engineering and precision engineering, offering R&D capabilities in two key areas: 1) advanced material engineering with a portfolio of 52 proprietary formulations for 2Ws, 3Ws, PVs, and CVs, tailored to meet the safety, durability, and performance needs of EV and ICE OEMs; and 2) precision engineering, including in-house tool design, design simulation, prototyping, and manufacturing, giving them a competitive edge in quality, cost, and delivery. It designs precision lightweighting solutions for OEMs, enhancing vehicle safety, performance, durability, and efficiency, and supplying critical systems for ATVs, power tools, and outdoor equipment. In the EV sector, its lightweighting solutions aim to improve thermal management, vehicle range, performance, efficiency, and safety.

It has established technology licensing agreements with global partners, including a Japanese brake shoe manufacturer, NUCAP Industries for disc brake pad retention systems, and Safety Control Cable for SCC production. Additionally, it has a license agreement with a defense research organization for semi-solid metal processing technology in ALP solutions.

### Customer Portfolio

Company supplies its 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. In Fiscal 2022, it commenced commercial supplies to 2W EV OEMs in India, including TVS Motor Company Limited ("TVS"), Ather Energy Private Limited ("Ather"), Hero MotoCorp Limited ("Hero MotoCorp"), Greaves Electric Mobility Private Limited ("Greaves"), Bajaj Auto Limited ("Bajaj") and Revolt Intelliprivate Limited ("Revolt"). It has long-standing relationships with all six of top 2W OEM customers ranging from 16 years to 30 years, as set out in the table below:

S. No.	Name or description of the customer	Number of years of customer relationship as of June 30, 2023
1.	Hero MotoCorp	30
2.	Honda Motorcycle and Scooter India ("HMSI")	22
3.	Bajaj	21
4.	India Yamaha Motor Private Limited ("Yamaha")	21
5.	TVS	20
6.	Suzuki Motorcycle India Private Limited ("Suzuki")	16

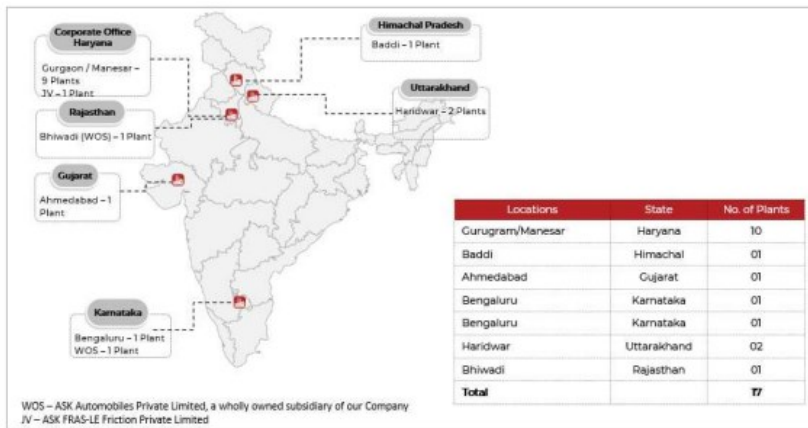
In addition to customers in India, Company also increasingly caters to customers overseas, both in the automotive and non-automotive sectors through export of AB systems and ALP solutions. Automotive customers outside India include UFI Filters India Private Limited ("UFI Filters"), Federal-Mogul Italy s.r.l. - racing & motorcycle division ("Federal-Mogul"), and FDP Virginia Inc., and its non-automotive customers outside India include Stanley Black & Decker, Polaris Industries Inc. ("Polaris") and MTD Products Inc. ("MTD Products")

Particulars	Three months ended June 30, 2023		Three months ended June 30, 2022		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Revenue in ₹ million	% of total revenue from operations	Revenue in ₹ million	% of total revenue from operations	Revenue in ₹ million	% of total revenue from operations	Revenue in ₹ million	% of total revenue from operations	Revenue in ₹ million	% of total revenue from operations
Customer 1	1,949.97	29.70%	2,237.51	37.06%	8,821.34	34.52%	6,889.24	34.22%	4,930.61	31.93%
Customer 2	1,021.46	15.56%	819.76	13.58%	3,977.31	15.57%	2,707.08	13.45%	1,801.81	11.67%
Customer 3	865.09	13.18%	634.42	10.51%	2,743.66	10.74%	2,357.33	11.71%	1,650.11	10.69%
<b>Total revenue from top three customers</b>	<b>3,836.52</b>	<b>58.44%</b>	<b>3,691.69</b>	<b>61.15%</b>	<b>15,542.31</b>	<b>60.83%</b>	<b>11,953.65</b>	<b>59.38%</b>	<b>8,382.53</b>	<b>54.29%</b>
Others	2,728.56	41.56%	2,345.66	38.85%	10,009.36	39.17%	8,177.18	40.62%	7,057.39	45.71%
<b>Revenue from Operations</b>	<b>6,565.08</b>	<b>100.00%</b>	<b>6,037.35</b>	<b>100.00%</b>	<b>25,551.67</b>	<b>100.00%</b>	<b>20,130.83</b>	<b>100.00%</b>	<b>15,439.92</b>	<b>100.00%</b>

### Manufacturing Facilities

As of June 30, 2023 it operated 15 manufacturing facilities across five states in India. In addition, its Joint Venture operated one manufacturing facility in Gurugram, Haryana. It recently commenced commercial operations at 16th manufacturing facility in Bhiwadi (Rajasthan) in July 2023. Its facilities are equipped with advanced machinery and majority of their facilities are located close to their key customers to enable them to better meet its customers' just-in-time delivery schedules. At the same time, its customers enjoy better economies of scale and logistical advantages, insulating them from local supply or similar disruptions. Furthermore, its 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.





### Manufacturing Capacity and Capacity Utilization at 15 facilities that were operational as of June 30, 2023

Product Category	Products Manufactured	Unit of Measurement	Three months ended				Fiscal ended				March 31, 2021	
			June 30, 2023 <sup>a</sup>		June 30, 2022 <sup>a</sup>		March 31, 2023		March 31, 2022		March 31, 2021	
			Installed capacity <sup>(1)</sup>	Actual production <sup>(2)</sup>	Installed capacity <sup>(1)</sup>	Actual production <sup>(2)</sup>	Installed capacity <sup>(1)</sup>	Actual production <sup>(2)</sup>	Installed capacity <sup>(1)</sup>	Actual production <sup>(2)</sup>	Installed capacity <sup>(1)</sup>	Actual production <sup>(2)</sup>
			Capacity available <sup>(3)</sup>	Utilisation <sup>(4)</sup> (%)	Capacity available <sup>(3)</sup>	Utilisation <sup>(4)</sup> (%)	Capacity available <sup>(3)</sup>	Utilisation <sup>(4)</sup> (%)	Capacity available <sup>(3)</sup>	Utilisation <sup>(4)</sup> (%)	Capacity available <sup>(3)</sup>	Utilisation <sup>(4)</sup> (%)
AB	Brake Shoe <sup>(1)</sup>	Pieces in million	237	39	192	38	205	154	192	143	192	142
AB	Brake Panel	Pieces in million	59	64.96%	48	79.62%	194	79.30%	192	74.85%	192	74.30%
AB	Disc Brake Pad	Pieces in million	17	2	17	2	17	10	17	9	17	9
ALP	Pressure Castings <sup>(2)</sup>	Die Tonnes	55,418	11,031	52,347	9,942	51,807	39,359	50,787	31,363	49,311	29,962
SCC	Cables	Pieces in million	43	4	43	3	43	17	24	10	21	10
			11	39.04%	11	24.22%	43	39.59%	23	44.88%	17	58.88%

<sup>a</sup> Reflects the annual installed capacity as at June 30, 2022 and June 30, 2023 respectively.

### Product Details

**AB System:** The importance of braking systems in vehicles has grown due to powerful vehicles and improved road infrastructure. It specialize in manufacturing highly engineered braking components, like brake shoes, disc brake pads, and brake linings, which are crucial for vehicle safety. It revenue in this category increased by 14.32% from ₹8,165.45 million in Fiscal 2021 to ₹10,672.27 million in Fiscal 2023, constituting 41.77% of total revenue. However, in the three months ending June 30, 2023, revenue decreased by 6.36% to ₹2,490.61 million, making up 37.94% of revenue during that period.

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

Brake Panel Assembly



Brake Shoe



Brake Pads



Brake Linings



**ALP Solution:** Using lightweight aluminum in the transport sector improves vehicle performance, energy efficiency, and safety. It's 40% lighter than steel, making vehicles lighter and stronger. Aluminum's high thermal conductivity helps dissipate heat from critical components in electric vehicles (EVs), enhancing their safety and performance. Company is specializes in light weighting solutions using aluminum, particularly in the EV sector. It ALP solutions cover engine, body/chassis, transmission, electrical/electronics, e-powertrain, and EV-specific components. Key products include battery pack housing, motor de-casing, ECU housing, heat sinks, geared pulleys, and various parts for multiple industries. Revenue in this category grew by 42.41% from ₹4,897.04 million in Fiscal 2021 to ₹9,931.65 million in Fiscal 2023, representing 38.87% of total revenue. In the three months ended June 30, 2023, revenue increased by 17.55% to ₹2,807.38 million, constituting 42.76% of revenue. Key customers include well-known companies like HMSI, TVS, Suzuki, Denso, and others.



Demolition Hammer Housing



Structural Arm - ALP



Crank Case R



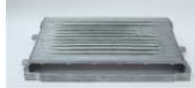
EV Motor Housing



ND Casing



Battery Housing



ECU Casing



ECU Body



Pulley



Heat Sink Thermal Management



**SCC:** It manufacture a wide range of control cables for motorcycles, scooters, mopeds, and EVs, used for various applications like brakes, accelerator, clutch, and more. It key SCC products include front brake cables, rear brake cables, throttle cables, and others for 2Ws, PVs, and heavy CVs. Key customers include HMSI, HMCL, and Suzuki.

Its revenue from SCC products grew at a CAGR of 42.62% from ₹437.01 million in Fiscal 2021 to ₹888.93 million in Fiscal 2023, making up 3.48% of total revenue in Fiscal 2023. In the three months ending June 30, 2023, revenue increased by 54.48% to ₹232.08 million, representing 3.54% of revenue.

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:** Its wheel assembly service lines follow customers' instructions and specifications in assembling components supplied by the customer and/ or other vendors. It provides wheel assembly services to certain 2W OEMs in India and proposes to convert its service arrangements into job-work agreements in the coming years. Its 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, accounting for 13.75% of total revenue in Fiscal 2023. In the three months ending June 30, 2023, revenue rose by 23.65% to ₹895.46 million, making up 13.64% of revenue.

### Peers Details

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
ASK Automotive Ltd	2	2,555	6.18	32.66	NA	19.10%
<b>Peers Group</b>						
Endurance Technologies Ltd	10	8,804	34.09	313.67	46.36	10.87%
Uno Minda Ltd	2	11,236	11.37	72.53	52.59	16%
Suprajit Engineering Ltd	1	2,752	10.98	88.48	35.49	12.42%
Bharat Forge Ltd	2	12,910	11.35	144.02	98.86	7.8%

**Companies Competitive Strength :**

- Well established manufacturer of safety systems and critical engineering solutions for some of India's largest original equipment manufacturers ("OEMs")
- 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 product.
- Technology and innovation-driven manufacturing process, with an extensive suite of systems and solutions for EV and ICE sectors.
- Long-standing customer relationships with both Indian and global OEM players Technology-driven model with a digital technology platform.
- Financial and return metrics demonstrating growth and efficient use of capital.

**Key Strategies Implemented by Company**

- "Electrification"- further strengthen their position in the growing EV sector in India.
- Continue to focus on its design, research and development ("R&D") and engineering capabilities to develop innovative systems and solutions, as well as improve its manufacturing efficiencies.
- Further diversify its product offerings in the AB systems and ALP solutions categories and expand their addressable market.
- Leverage export opportunities and enter new markets.
- Increased focus on IAM sales and spares.

Particulars (Rs Cr)	2023	2022	2021
Equity Share Capital	39.43	40.18	40.69
Reserves	604.34	591.73	581.54
Net worth as stated	643.77	631.91	622.23
Revenue from Operation	2,555	2,013	1,544
Revenue Growth (%)	26.92%	30.38%	-
EBITDA as Stated	236	171	186
EBITDA margin (%)	9.3%	8.5%	12.1%
Net Profit for the period	123	83	106
Net Profit (%) as Stated	4.8%	4.1%	6.9%
EPS (₹)	6.2	4.1	5.2
RoNW (%)	19.2%	13.1%	17.1%
ROCE(%)	20.3%	16.1%	21.5%
NAV (₹)	30.60	31.3	32.6

**Valuations and Recommendation:**

- Ask Automotive Ltd annualized earning arrived at ₹ 139.32 Cr for FY23. At upper price band of ₹ 282, Company is looking for post issue market cap of ₹ 5,559 Cr, Which implies a earning multiple (P/E) of 39.90(x).
- Based on the valuation, issue appears to be fairly valued, Company is the leading manufacturing of break-Shoe and advance braking system for 2 wheeler in India with 50% market share in FY2023. The company has strong relationship with major OEM in the industry over the past 30 Years ( Hero Motor Corp, Bajaj, Suzuki Motorcycle, TVS, Yamaha, Honda Motorcycle). Its ABS business faces significant entry barriers due to stringent vendor approval processes by OEMs, proprietary material formulations, and advanced technology. It continuously developing product lines for 3W, 4W, and CV segments, ensuring sustained growth in this sector. Hence, we recommend "Subscribe" rating to the stock issue.



## Notes

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