



**SMC Ranking**  
 ★★☆☆☆ (2/5)

### Issue Highlights

Industry	Automobile
Offer for sale (Shares)	29,571,390
<b>Net Offer to the Public</b>	<b>29,571,390</b>
Issue Size (Rs. Cr.)	792-834
Price Band (Rs.)	268-282
Offer Date	7-Nov-23
Close Date	9-Nov-23
Face Value	2
Lot Size	53

### Issue Composition

	In shares
Total Issue for Sale	29,571,390
QIB	14,785,695
NIB	4,435,709
Retail	10,349,987

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	85.00%
QIB	0.00%	7.50%
NIB	0.00%	2.25%
Retail	0.00%	5.25%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

The company will not receive any proceeds from the Offer and all the Offer Proceeds will be received by the Selling Shareholders, in proportion to the Offered Shares sold by the respective Selling Shareholders as part of the Offer.

#### Book Running Lead Manager

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

#### Name of the registrar

- Link Intime India Private Limited

### About the company

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 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. 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.

### Strength

**Well established manufacturer of safety systems and critical engineering solutions for some of India's largest OEMs:** ASK Automotive supplies its 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. It supplied products to all of the top six 2W OEMs (in terms of production volume and value) in India during Fiscal 2023. The company is 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, it was among the prominent players in the SCC products and ALP solutions for 2W OEMs in India, based on production volume in Fiscal 2023. Its market share in ALP solutions was 9% by production volume for 2W OEMs in India in Fiscal 2023. ASK Automotive has also been focused on increasing its presence in the 3W, PV and CV sectors. ASK Automotive currently supplies products to a PV manufacturer in the small car segment in India, among other OEMs in the automotive sector. It has 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.

**Robust production model driven by research and development ("R&D"):** The Company has robust production model driven by research and development and design with an emphasis on advanced material knowledge to customize systems and products based on customer specifications and engineering lighter precision products. As of June 30, 2023, ASK Automotive had a portfolio of 52 proprietary formulations that it uses in the production of AB systems for 2Ws, 3Ws, PVs and CVs, meeting stringent safety, durability and performance specifications of EV and ICE OEMs. It implements product and process improvements through field trials, supported by its R&D and engineering department that tracks real time data using advanced data logger systems.

**Technology and innovation-driven manufacturing process:** Technology and innovation play a critical role in the development of its safety systems and critical engineering solutions. ASK Automotive engages in ongoing R&D and design activities to develop and offer innovative and customized systems and solutions that meet its customers' requirements in both the EV and ICE sectors. Furthermore, ASK Automotive has a demonstrated track record of developing technologically advanced products as per the requirements of its customers. Its technology and innovation focus also complements its manufacturing capabilities. ASK Automotive has introduced automation in its manufacturing processes that allows it to combine operations, eliminate multiple operators, retain control over its proprietary formulations and increase efficiency, while controlling costs and maintaining consistent product quality. Furthermore, its production

line configurations are fungible, allowing it to interchange capacity and product mix between product categories within and across automotive and nonautomotive sectors, based on customer and operational requirements.

**Long-standing customer relationships with both Indian and global OEM players:** Its experience in developing complex critical safety systems and solutions has led to established relationships with several customers. Globally, its customers include players such as Stanley Black & Decker, Polaris, and MTD Products. In India, its customers include the top six 2W OEMs (in terms of production volume and value for Fiscal 2023) (Source: CRISIL Report). It has 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. It has 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:** Its revenue from operations has grown at a CAGR of 28.64% between Fiscals 2021 and 2023, and by 8.74% from Rs.603.74 crore in the three months ended June 30, 2022 to Rs.656.51 crore in the three months ended June 30, 2023, demonstrating growth in its financial performance in recent years, and positioning it for future growth and further diversification of its customer base and offerings. It depends on (i) continued investments in R&D and engineering capabilities; (ii) manufacturing infrastructure to support revenue growth; and (iii) delivery of high-quality products critical for its customers for its financial performance.

## Strategy

**“Electrification”– further strengthen its position in the growing EV sector in India:** Its product offerings are powertrain-agnostic, catering to the EV as well as ICE sectors of 2Ws, 3Ws, PVs and CVs. Going forward, its commitment and focus towards ESG will continue increasing as it plans to increase the EV share of its revenue. While it currently offers its products to pure-play 2W EV OEMs in India such as Ather, Greaves and Revolt, it also supplies products to existing customers such as TVS, HMCL and Bajaj for their recently launched range of 2W EVs as it transition to EV. It intends to similarly capitalize on the EV transition of its existing 2W OEM customer base. As part of its strategy to strengthen its position in the EV market, ASK Automotive has leveraged its experience in developing AB systems and ALP solutions, which have undergone a transition, and are working on developing new products for OEMs enabling them to achieve a further reduction in weight, enhanced performance and improved vehicle acceleration via high performance driveline products and improved efficiencies.

**Continue to focus on design, research and development (“R&D”) and engineering capabilities to develop innovative systems and solutions, as well as improve its manufacturing efficiencies:** Its business is driven by innovation and technology, and has been identifying, planning and addressing industry disruptions by bringing new solutions to the market. ASK Automotive uses R&D to continuously enhance its 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, its total staff (i.e., workforce excluding shop-floor personnel) comprised 365 engineering graduates of which 76 were full-time employees of R&D and engineering department, which represented 5.84% of staff and 20.82% of the engineers employed as part of staff.

**Further diversify product offerings in the AB systems and ALP solutions categories and expand its addressable market:** ASK Automotive intends to leverage its established and long-standing customer relationships and explore opportunities to grow along the value chain by expanding the suite of its existing offerings across sectors, products and processes. As part of its strategy, it has already expanded its business from providing safety systems and critical engineering solutions for 2W OEMs to providing critical engineering solutions to PV OEMs.

**Sector diversification:** It intends to develop and manufacture additional safety systems and critical engineering solutions for CV and PV OEMs, where it can leverage its engineering capabilities. With a demonstrated track record of developing safety systems and critical engineering solutions for the automotive and non-automotive sectors, it believes its manufacturing capabilities can be further leveraged to cater to several non-automotive sectors, such as the ATV, power tools, defence and agriculture sectors. Furthermore, its existing key product families in the automotive sector have multiple applications across various non-automotive sectors as well.

**Product and process diversification:** Its long-standing experience and market leadership in AB systems in India along with its manufacturing capabilities, positions it well to cross-sell its ALP solutions and SCC products. Over the years in the ALP solutions category in particular, it has focused on moving up the value chain of complexity and specialization by enhancing its manufacturing capabilities to produce complex precision components for several of its customers. It has grown to have an established presence as an AB manufacturer in India, scaled ALP solutions significantly, and has recently entered the SCC business, illustrating its ability to diversify its business. It intends to similarly expand its capabilities and introduce low pressure die-casting (“LPDC”) and gravity die-casting (“GDC”) at manufacturing facility Bhiwadi, Rajasthan, in addition to its existing high pressure die-casting (“HPDC”) capabilities.

**Increased focus on IAM sales and spares:** Its growth strategy involves expanding its distribution network with a wide portfolio of technologically advanced critically engineered products for the IAM across India. It serves IAM across the 2W, 3W, and PV sectors supplying its AB systems and SCC products. ASK Automotive has also strengthened its presence in the CV sector through 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. It intends to increase its focus on its IAM sales service to capitalize on significant opportunities for growth in the future. It aims to further expand its IAM presence and reinforce brand image and visibility, allowing it to capture additional market share and enhance its brand positioning, particularly with IAM sales being a business-to-consumer channel.

### Risk factor

- A significant portion (of more than 80%) of its revenue from operations is attributable to the Indian two-wheeler automotive sector.
- Its top 3 customers contribute to over 50% of the revenues.
- It depends on third parties for the supply of raw materials

### Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Endurance Technologies Limited	9140.18	539.69	38.37	43.45	5.32	313.67	10	1667.20	23451.31
Uno Minda Limited	11773.96	687.51	12.00	48.14	7.97	72.52	2	577.70	33107.54
Suprajit Engineering Limited	2786.85	157.92	11.41	32.78	4.23	88.45	1	374.00	5177.44
Bharat Forge Limited	13936.07	587.32	13.03	79.09	7.16	143.99	2	1030.60	47983.56
ASK Automotive Limited	2607.95	135.23	6.86	41.11	8.19	34.41	2	282.00	5559.42

\*Peer Comparison company financials and ASK Automotive Limited financials are based on TTM.

### Valuation

Considering the P/E valuation on the upper price band of Rs.282, EPS and P/E based on TTM are Rs.6.86 and 41.11 multiple respectively and at a lower price band of Rs. 268, P/E multiple is 39.07. Looking at the P/B ratio on the upper price band of Rs.282, book value and P/B are Rs. 34.41 and 8.19 multiple respectively and at a lower price band of Rs. 268 P/B multiple is 7.79. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

### Industry Outlook

India is the largest motorized two-wheeler market in the world, with domestic sales of 16.25 million units in Fiscal 2023 (Source: CRISIL Report). It constitutes approximately 76% of the total market comprising two-wheelers (“2Ws”), three-wheelers (“3Ws”), passenger vehicles (“PVs”) and commercial vehicles by volume; and approximately 16% in value terms (approximately Rs.1,056 billion) (Source: CRISIL Report). Furthermore, India is also one of the largest exporters of 2Ws in the world. (Source: CRISIL Report) CRISIL MI&A expects 2W exports from India to record a CAGR of 5%-7% between Fiscal 2023 and Fiscal 2028, compared to 5.3% between Fiscal 2018 and Fiscal 2023. (Source: CRISIL Report) Furthermore, electronic vehicles (“EVs”) are gaining in India and are growing faster than internal combustion engine (“ICE”) vehicles across the 2W, 3W and four wheeler sectors. (Source: CRISIL Report). In the non-automotive sector, infrastructural growth, especially in emerging economies such as China and India, is a major driver of the power tools market globally.

## Outlook

The Company is well established manufacturer of safety systems and critical engineering solutions for some of India's largest original equipment manufacturers. Company has strong revenue growth in the past. However, its top 3 customers contribute to over 50% of the revenues which poses high risk. Moreover the entire issue is OFS; the fund raised through this issue will not go to the company.

## An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	07-November-23
BID/ISSUE CLOSSES ON	09-November-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	15-November-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	16-November-23
Credit of Equity Shares to demat accounts of Allottees	17-November-23
Commencement of trading of the Equity Shares on the Stock Exchanges	20-November-23

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-23 (3 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	656.51	2555.17	2013.08
Total expenditure	592.80	2318.73	1842.00
<b>Operating Profit</b>	<b>63.71</b>	<b>236.43</b>	<b>171.08</b>
OPM%	9.70	9.25	8.50
Other Income	1.04	11.11	11.18
<b>PBDIT</b>	<b>64.74</b>	<b>247.55</b>	<b>182.26</b>
Depreciation	14.96	60.71	55.91
<b>PBIT</b>	<b>49.78</b>	<b>186.84</b>	<b>126.35</b>
Interest	4.35	11.19	8.08
<b>Profit before share of net profits/ (losses) of joint venture accounted for using equity method and taxes</b>	<b>45.43</b>	<b>175.65</b>	<b>118.27</b>
Share of net profit/(loss) of joint venture accounted for using equity method (net of taxes)	2.21	-5.89	-5.28
<b>PBT</b>	<b>47.64</b>	<b>169.76</b>	<b>112.99</b>
Total tax expenses	12.81	46.81	30.33
<b>PAT</b>	<b>34.83</b>	<b>122.95</b>	<b>82.66</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-23	As on 31-Mar-23	As on 31-Mar-22
<b>Non-current assets</b>			
Property, plant and equipment	462.87	456.49	463.02
Capital work-in-progress	163.10	118.25	2.85
Right of Use Asset	82.41	84.28	88.48
Goodwill	181.91	181.91	181.91
Other intangible assets	3.39	3.13	4.19
<b>Financial Assets</b>			
Investments	6.24	4.04	0.00
Loans	8.00	8.00	8.77
Other financial assets	9.81	10.01	8.73
Non-current tax assets (net)	0.35	0.66	4.95
Other non-current assets	30.13	13.95	4.21
<b>Total non-current assets</b>	<b>948.19</b>	<b>880.73</b>	<b>767.11</b>
<b>Current assets</b>			
Inventories	188.38	153.58	124.37
<b>Financial Assets</b>			
Loans	2.67	2.67	0.00
Trade receivables	251.83	210.45	201.16
Cash and cash equivalents	3.42	2.23	1.30
Bank balances other than (iii) above	1.45	0.15	0.26
Other financial assets	12.83	5.62	1.20
Current tax assets (net)	0.04	0.02	0.00
Other current assets	34.53	25.77	9.10
<b>Total current assets</b>	<b>495.15</b>	<b>400.48</b>	<b>337.40</b>
<b>Assets held for sale</b>	<b>0.00</b>	<b>0.00</b>	<b>10.60</b>
<b>Total Assets</b>	<b>1443.34</b>	<b>1281.21</b>	<b>1115.10</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	233.82	208.85	102.35
Lease liabilities	2.32	2.65	8.73
Provisions	27.36	25.65	24.03
Deferred tax liabilities (net)	27.42	27.96	29.71
<b>Total non-current liabilities</b>	<b>290.92</b>	<b>265.11</b>	<b>164.83</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>			
Borrowings	153.02	109.16	57.44
Lease Liabilities	5.80	7.22	6.82
Trades Payable - MSME	47.71	43.20	31.75
Trade Payables - other than MSME	174.09	126.66	147.09
Other financial liabilities	41.11	38.76	21.23
Provisions	7.50	7.22	5.54
Current tax liabilities (net)	6.29	2.81	2.69
Other current liabilities	38.44	37.29	36.26
<b>Total current liabilities</b>	<b>473.96</b>	<b>372.33</b>	<b>308.83</b>
<b>Total</b>	<b>764.88</b>	<b>637.44</b>	<b>473.66</b>
Net worth represented by:			
Equity Share Capital	39.43	39.43	40.18
Other Equity	639.03	604.34	591.73
<b>Net Worth</b>	<b>678.46</b>	<b>643.77</b>	<b>631.91</b>

## RANKING METHODOLOGY

<b>WEAK</b>	★
<b>NEUTRAL</b>	★★
<b>FAIR</b>	★★★
<b>GOOD</b>	★★★★
<b>EXCELLENT</b>	★★★★★

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