

ASK AUTOMOTIVE LTD

07-11-2023 to 09-11-2023

Industry: Auto Components & Equipments

Price Band: ₹ 268 - 282

Recommendation: Subscribe for Long Term

Post Implied Market Cap: ₹ 5,283 - 5,559 Cr

Key Data

Issue Size (₹ Cr)	834
Fresh (₹)	-
OFS (₹)	834
No of shares offered	2,95,71,390
Face Value (₹ /share)	2
Bid Lot	53

About the Company

ASK Automotive Limited, established in 1988, is India's largest manufacturer of brake shoes and advanced braking systems for two-wheelers. They hold a market share of approximately 50% in the original equipment manufacturers (OEM) and branded independent aftermarket for two-wheelers. With over three decades of experience, they design, develop, and manufacture safety systems and engineering solutions. ASK Automotive's products are suitable for both electric vehicles (EV) and internal combustion engine (ICE) OEMs. Their brand "ASK" is a leader in the two-wheeler independent aftermarket for 2023 in India. The company operates 16 manufacturing facilities across five states in India, including their latest facility in Bhiwadi (Rajasthan), which started commercial operations in July 2023.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	15-11-2023
Refunds/Unblocking ASBA Fund	16-11-2023
Credit of equity shares to DP A/c	17-11-2023
Trading commences	20-11-2023

Investment Rationale

- Established manufacturer of safety systems and critical engineering solutions for major Indian OEMs with high entry barriers:** ASK Automotive is a leading supplier to the Indian 2-wheeler OEM market, the largest motorized 2W in the world. They dominate the brake-shoe and AB systems sector with a 50% market share in OEM and IAM. They're also prominent in (safety control cables) SCC products and (Aluminum light weighting precision) ALP solutions for 2W OEMs. ASK is expanding into 3W, PV, and CV sectors and even supplies products to a PV manufacturer in the small car segment. They have a wide-ranging portfolio, serving 9 2W EV OEMs in India, and are developing capabilities for light weighting and thermal management for e-powertrain products.
- Strong production model with a focus on R&D and design, specializing in advanced materials and lightweight precision engineering to customize products as per customer needs:** The company excels in R&D for AB systems, creating proprietary formulations and customized manufacturing processes. Their precision engineering, including lightweight and thermal management solutions, provides a competitive edge. They employ 365 engineering graduates, with 76 in the full-time R&D department. They use 52 proprietary formulations for AB systems, meeting safety and performance specs for various vehicles. Their ALP solutions R&D involves complex component design, ensuring safety and performance. They have numerous automotive and non-automotive programs in progress, scheduled for release by the 4th quarter of Fiscal 2024.
- Innovation-focused manufacturing process with comprehensive solutions for EV and ICE sectors:** Company's technology and innovation-driven approach enhances manufacturing. Automation streamlines processes maintains control over proprietary formulations and boosts efficiency. Flexible production lines adapt to changing capacity and product needs in automotive and non-automotive sectors. Their automotive products work for both EV and ICE OEMs.
- Long-standing customer relationships with both Indian and global OEM players:** Company's expertise in complex safety systems and customized engineering solutions has fostered strong customer relationships. They work closely with customers, offering precision and lightweight products particularly with key 2W OEMs in India. They have a history of adding value and supporting import substitution for their clients

Shareholding (No. of shares)

Pre-Issue	19,71,42,600
Post Issue (Lower price band)	19,71,42,600
Post Issue (Higher price band)	19,71,42,600

Shareholding Pattern

Promoters:	%
Pre Issue	9.80%
Post Issue	9.80%
Promoters Group:	
Pre Issue	90.2%
Post Issue	75.20%
Public - Others:	
Pre Issue	0.00%
Post Issue	15.00%

Risk

- Higher dependency on Indian two-wheeler automotive sector.
- Client concentration.
- Sharp increase in commodity prices.

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

MView

We believe ASK Automotive IPO offer gives investors an opportunity to invest in a prominent leader in the Indian two-wheeler automotive industry. We think as a well-established player for major OEMs with strong focus on safety systems and critical engineering solutions makes a high entry barrier to new competitors. We also think with a dominant market share in brake-shoe and AB systems and expanding portfolio includes serving 2W EV OEMs with the commitment to R&D and innovation, coupled with an integrated production model positions them well for growth. We also believe with their strong customer relationships and value-added capabilities make them a reliable partner for Indian and global OEMs. By looking at the financials, the company has shown a strong growth between fiscal 2022 and 2023 with a CAGR of 28.64% in revenue from operations. On Valuation parse at upper price band of ₹ 282/-, the issue is asking for a Market Cap of ₹ 5559 Cr. Based on annualized FY24 earnings and fully diluted post-IPO paid-up capital, company is asking a P/E of 39.90x which seems the valuations are reasonable when compare to its industry peers which are range of ~45-48x. Investors should also look at IPO offers which come with 100% OFS issue which is an area of concern for new investors, but due to dominant player in the SCC products and ALP solutions for 2W OEMs in India and also focused to increase their presence in the 3W, PV and CV sectors, we advocate a good long term prospects for the company. Given the increasing market opportunities in both EV and ICE sectors, ASK Automotive presents an attractive investment option for clients looking to capitalize on India's automotive growth story. Hence, we recommend investors to "Subscribe" the ASK automotive IPO with long term perspective.

Other Details

BRLMs: JM Financial, ICICI Securities, IIFL Securities
Registrar: Link Intime India Pvt. Ltd.
Listing: BSE & NSE

Research Analyst

Rajan Shinde
 Rajan.shinde@mehtagroup.in
 022-61507142

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Jun' 30		As at March' 31		
	2023 (03)	2022 (03)	2023	2022	2021
Equity Share Capital	39.43	40.18	39.43	40.18	40.69
Reserve	639.03	614.19	604.34	591.73	581.54
Net worth	678.46	654.37	643.77	631.91	622.22
Revenue from Operations	656.51	603.74	2,555.17	2,013.08	1,543.99
Revenue Growth %	8.7%	-	26.9%	30.4%	-
EBITDA	64.74	51.74	247.55	182.26	210.11
EBITDA Margin (%) as stated	9.85%	8.53%	9.65%	9.00%	13.40%
Profit before Tax	47.64	32.38	169.76	112.99	142.96
Net Profit for the Period	34.83	22.55	122.95	82.66	106.2
Net Profit Margin (%) as stated	5.30%	3.72%	4.79%	4.08%	6.77%
EPS (₹)	1.77	1.12	6.18	4.09	5.22
RONW%	5.13%	3.45%	19.10%	13.08%	17.07%
NAV (₹)	34.41	32.57	32.66	31.46	30.58

Source: Company RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from Operations (As on 31st March 2023)	EPS	NAV	P/B	P/E	RONW
ASK Automotive Ltd	Consolidated (Annualised FY 2024)	5559	2	2,555.17	7.07	39.71	7.1	39.9	19.10%
Endurance Technologies Ltd	Consolidated	24,251	10	8,804.05	34.09	313.67	5.45	52.6	10.87%
Uno Minda Ltd	Consolidated	34,000	2	11,236.49	11.42	72.53	8	69.68	15.73%
Suprajit Engineering Ltd	Consolidated	5,373	1	2,752.36	10.99	88.48	4.41	26.79	12.42%
Bhagat Forge Ltd	Consolidated	49,292	2	12,910.26	11.35	144.02	6.99	45	7.88%

Date as on 31st March 2023, Cline Mcap, PE calculated as on 07-11-2023

ASK Automotive Ltd, Revenue EPS/PE, P/B, NAV calculated on annualised basis post money



MSEARCH

DISCLAIMER & DISCLOSURE

This Report is published by Mehta Equities Limited (hereinafter referred to as "MEL") for registered client circulation only. MEL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH00000552. MEL is a registered broker with the Securities & Exchange Board of India (SEBI) and registered with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments, Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL), is registered with SEBI for providing PMS services and distribute third party PMS product and also member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

MEL a "Research Entity" under SEBI (Research Analyst) Regulations 2014 has independent research teams working with a Chinese wall rule with other business divisions of MEL as mentioned above.

MEL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. MEL, its associates or Research analyst or his relatives do not hold any financial interest in the subject company. MEL or its associates or Research analysts do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. MEL or its associates or Research Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

MEL or its associates or Research analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Research analyst during the past twelve months. MEL or its associates have not received any compensation or other benefits from the company covered by Research analyst or third party in connection with the research report. Research Analyst has not served as an officer, director or employee of Subject Company and MEL / Research analyst has not been engaged in market making activity of the subject company.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. MEL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader. This research has been prepared for the general use of the clients of MEL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MEL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MEL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. MEL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MEL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. MEL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, MEL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of MEL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither MEL, nor its directors, employees, or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Analyst Certification: Research Analyst the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the Research analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The Research analyst is principally be responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

MEHTA EQUITIES LTD

BSE: - Membership Clearing No. 122 - SEBI Regn. No. INB010683856, NSE: - Membership Clearing No. 13512-
SEBI Regn. No. INB231351231, NSE FO SEBI Regn. No. INF231351231, CIN No: U65990MH1994PLC078478
MSEI: - Membership Clearing No. 51800 - SEBI Regn. No. INB261351234 SEBI registered RA Reg No INH00000552
Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India

Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: info@mehtagroup.in, Website: www.mehtagroup.in

Compliance Officer: Prakash Joshi

Email Id: compliance@mehtagroup.in

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: help.kyc@mehtagroup.in Phone: + 91 22 61507154