

ASK Automotive | BUY



Strong operating performance; Play on EV light-weighting opportunity

ASK Automotive (ASK) consol. revenue was 3% above JMFe. EBITDA margin at 11.7% was 80bps ahead of JMFe. YoY margin improvement (+200bps) was led by positive operating leverage and cost control initiatives. Domestic 2W industry continues to remain healthy with an est. 8-9% vol. growth in FY25. ASK has been consistently outperforming growth of the underlying 2W industry led by expansion in product portfolio and increase in wallet share with existing and new customers. Backed by a) rising kit value in the ALP segment as the 2W/3W industry transitions to EVs, b) ramp-up of the 2W SCC business and c) expansion into PV and non-automotive segments by leveraging its capabilities, we believe ASK is well positioned to continue its healthy growth momentum. Mkt. share gain for its key customer augurs well for the company. We expect ASK to post a c.15% / 29% revenue / EPS CAGR over FY24-27E. We maintain our BUY rating with Jun'25 TP of INR 475 (30x Jun'26E EPS vs. 25x earlier). Any slowdown in electrification of domestic 2W/3W remains a key monitorable.

- 1QFY25 – Strong operating performance; beats estimate:** ASK reported revenue of INR 8.6bn (+31% YoY, +10% QoQ), 3% above JMFe. EBITDA margin stood at 11.7% (+200bps YoY, +120bps QoQ), 70bps above JMFe. YoY margin improvement was led by higher economies of scale and cost optimisation efforts. EBITDA came-in at INR 1.0bn (+58%YoY, +22%QoQ), c.10% above JMFe. Income from Fras-le JV stood at INR 13mn (-39% YoY, +27% QoQ). Adjusted PAT stood at INR 568mn (+63% YoY, +19% QoQ), 6% above JMFe.
- Operational update:** During 1QFY25, revenue from Advanced Braking Solutions (ABS) / Aluminium Light-Weighting (ALP) / Safety Control Cables (SCC) grew by c.26% / 39% / 33% YoY, significantly ahead of underlying 2W industry growth (c.20% YoY). This was led by ramp-up of new businesses from existing and new customers. Revenue from exports declined by 14% YoY owing to inventory correction at its customers. However, ASK expects export business to recover from 2Q. Share of EV revenue is gradually increasing (4% in FY24 vs. 2% in FY23) led by increase in volumes and higher content per vehicle (higher by 30%-50% in E2Ws).
- Demand outlook:** 2W industry is on the path to recovery. Growth oriented budget and revival in rural spends led by above normal monsoon augur well for the 2W demand and the company estimates the industry volumes to grow by 7-8% over medium-to-long term. The company is aiming to continue its outperformance with respect to the underlying industry led by new product introductions (driving content per vehicle) and increasing wallet share with new and existing customers through better efficiencies.
- Margin outlook:** The Company indicated that 120bps QoQ (200bps YoY) margin improvement was led by economies of scale, ramp-up of Rajasthan facility and a focus on cost optimization initiatives. Rajasthan plant is currently operating at 40% capacity utilisation and the company plans to further ramp-up the plant to over 60% utilisation by FY25-end / full ramp-up in FY26. This is expected to further drive positive operating leverage. Overall the company has guided for gradual improvement in EBITDA margins to ~12-13% over near-to-medium term.

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	25,552	29,945	35,173	40,117	45,167
Sales Growth (%)	26.9	17.2	17.5	14.1	12.6
EBITDA	2,414	3,006	4,147	4,947	5,644
EBITDA Margin (%)	9.4	10.0	11.8	12.3	12.5
Adjusted Net Profit	1,280	1,738	2,447	3,001	3,486
Diluted EPS (INR)	6.5	8.8	12.4	15.2	17.7
Diluted EPS Growth (%)	52.4	35.8	40.8	22.6	16.1
ROIC (%)	15.3	16.4	20.2	21.2	21.8
ROE (%)	20.1	23.8	26.8	26.5	25.0
P/E (x)	64.2	47.3	33.6	27.4	23.6
P/B (x)	12.8	10.1	8.1	6.6	5.4
EV/EBITDA (x)	35.4	28.4	20.6	17.1	14.7
Dividend Yield (%)	0.0	0.5	0.6	0.7	0.8

Source: Company data, JM Financial. Note: Valuations as of 29/Jul/2024

JM Financial Institutional Securities Limited

Ronak Mehta
ronak.mehta@jmfl.com | Tel: (91 22) 66303125

Vivek Kumar
vivek.kumar@jmfl.com | Tel: (91 22) 66303019

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	475
Upside/(Downside)	13.9%
Previous Price Target	375
Change	26.7%

Key Data – ASKAUTOL IN

Current Market Price	INR417
Market cap (bn)	INR82.2/US\$1.0
Free Float	15%
Shares in issue (mn)	197.1
Diluted share (mn)	197.1
3-mon avg daily val (mn)	INR133.0/US\$1.6
52-week range	434/240
Sensex/Nifty	81,356/24,836
INR/US\$	83.7

Price Performance

%	1M	6M	12M
Absolute	15.0	41.7	0.0
Relative*	11.7	23.9	0.0

* To the BSE Sensex

JM Financial Research is also available on:
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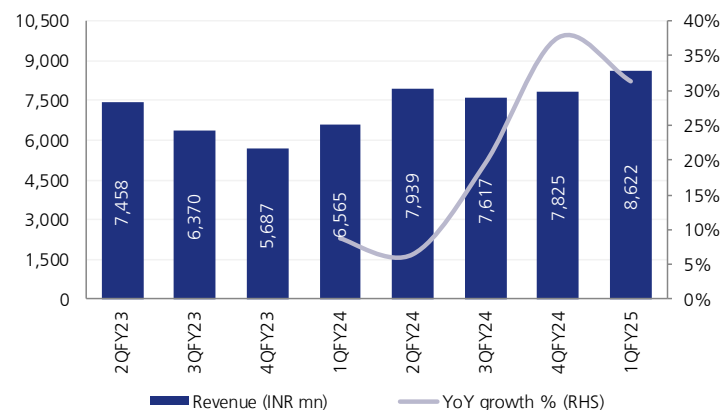
- **Other highlights:** **1)** Update on technical collaboration with LIOHO - ASK indicated that HPDC Alloy Wheels are lighter in weight thereby leading to better fuel economy for a 2W. This technology is already proven and operational in Taiwan and is currently getting tested by Indian OEMs (at advance stage of discussion with 2 OEMs). **2)** With regards to aftermarket JV with AISIN, ASK expects product launches under the JV AISIN starting 4QFY25. **3)** Capex for 1QFY25 stood at INR 0.8bn. Capex guidance for FY25 stands at INR 2.5-3bn largely towards Bengaluru plant which is expected to commence operations during 4QFY25. **4)** Debt during 1Q increased by INR 320mn to INR 3.8bn. ASK plans to marginally reduce its debt by year-end. **5)** Company aspires to increase revenue share from exports to 10% (currently c.4%) over the next 5 years. **6)** ASK's inventory stands between 24-25 days (vs. 20-24 days historically). Working capital stands at 19 days.

Exhibit 1. Quarterly financial performance - consolidated

Financial Matrices (INR mn)	1QFY25	1QFY24	% YoY	4QFY24	% QoQ	1QFY25E	Var (%)
Sales	8,622	6,565	31.3	7,825	10.2	8,338	3.4
RM	5,850	4,434	31.9	5,350	9.3	5,726	2.2
as a % of sales	67.8	67.5	30bps	68.4	-50bps	68.7	-80bps
Employee Exp	475	397	19.6	435	9.2	450	5.4
as a % of sales	5.5	6.0	-50bps	5.6	-10bps	5.4	10bps
Other Costs	1,291	1,097	17.7	1,217	6.1	1,251	3.3
as a % of sales	15.0	16.7	-170bps	15.6	-60bps	15.0	0bps
Expenditure	7,616	5,928	28.5	7,002	8.8	7,427	2.5
EBITDA	1,006	637	58.0	823	22.2	911	10.5
EBITDA Margin (%)	11.7	9.7	200bps	10.5	120bps	10.9	80bps
Other Income	27	10	156.3	33	(20)	30	(11.3)
Interest	84	44	94.0	79	7	70	20.6
Depreciation	202	150	35.1	190	7	200	1.1
PBT	746	454	64.3	589	27	671	11.2
Tax	191	128	49.4	122	57	174	9.7
Tax rate (%)	25.6	28.19		20.7		26.0	-26bps
Share of profit / (loss) of JV	13	22	(39.3)	11	27	40	(66.5)
PAT (Adjusted)	568	348	63.2	478	19.0	536	5.9
EPS (INR)	2.9	1.8	63.2	2.4	19.0	2.7	5.9

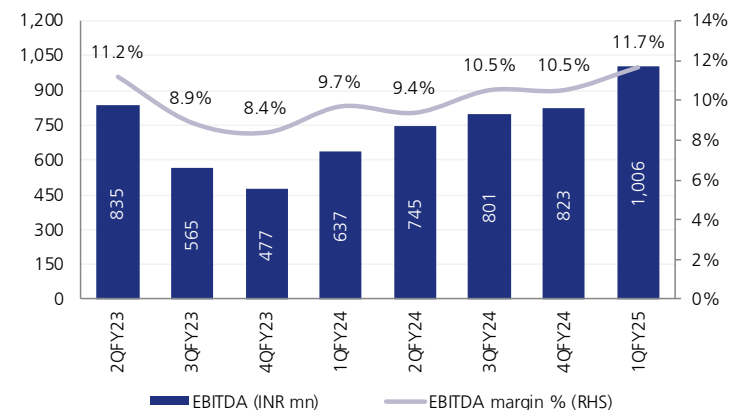
Source: Company, JM Financial

Exhibit 2. Quarterly revenue & growth trend



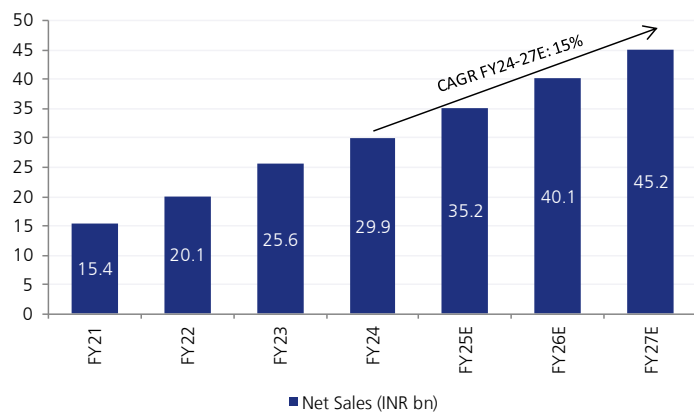
Source: Company, JM Financial

Exhibit 3. Quarterly EBITDA and margin trend



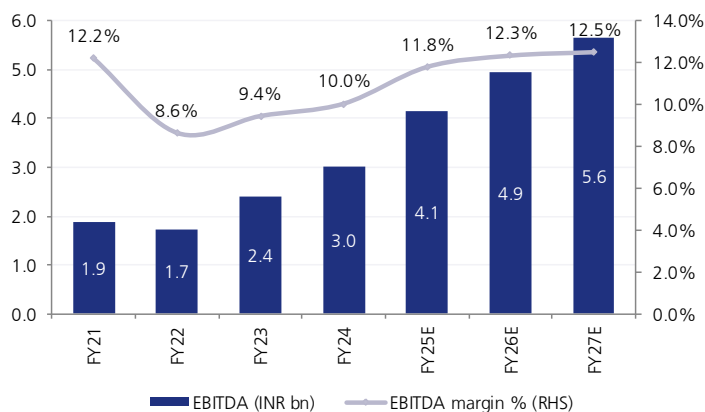
Source: Company, JM Financial

Exhibit 4. Expect revenue to grow at CAGR of 15% over FY24-27E



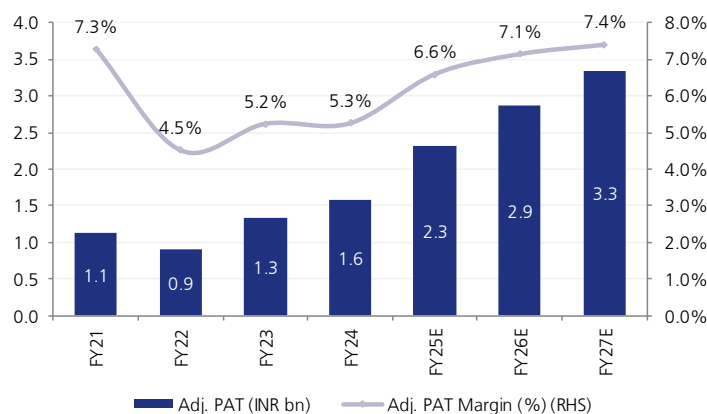
Source: Company, JM Financial

Exhibit 5. Expect EBITDAM to expand by c.250bps over FY24-27E



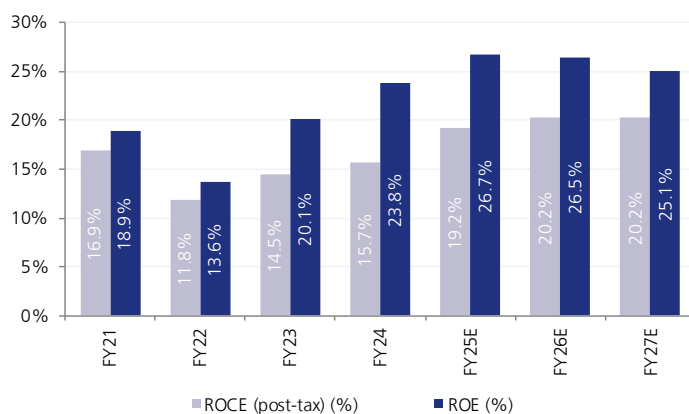
Source: Company, JM Financial

Exhibit 6. Expect PAT to grow at c.29% CAGR over FY24-27E



Source: Company, JM Financial

Exhibit 7. ROCE (post-tax) is expected to expand to ~20%



Source: Company, JM Financial

Exhibit 8. Change in estimates – Consolidated

ASK Automotive	New assumption			Old assumption			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue (INR mn)	35,173	40,117	45,167	34,367	39,010	NA	2%	3%	NA
EBITDA (INR mn)	4,147	4,947	5,644	3,846	4,706	NA	8%	5%	NA
EBITDA margin (%)	11.8%	12.3%	12.5%	11.2%	12.1%	NA	60bps	20bps	NA
PAT (INR mn)	2,447	3,001	3,486	2,332	2,938	NA	5.0%	2.1%	NA
EPS (INR)	12.4	15.2	17.7	11.8	14.9	NA	5.0%	2.1%	NA

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	25,552	29,945	35,173	40,117	45,167
Sales Growth	26.9%	17.2%	17.5%	14.1%	12.6%
Other Operating Income	0	0	0	0	0
Total Revenue	25,552	29,945	35,173	40,117	45,167
Cost of Goods Sold/Op. Exp	17,818	20,426	23,921	27,203	30,583
Personnel Cost	1,394	1,705	1,910	2,101	2,353
Other Expenses	3,926	4,808	5,195	5,866	6,587
EBITDA	2,414	3,006	4,147	4,947	5,644
EBITDA Margin	9.4%	10.0%	11.8%	12.3%	12.5%
EBITDA Growth	38.8%	24.5%	38.0%	19.3%	14.1%
Depn. & Amort.	607	690	865	1,007	1,149
EBIT	1,807	2,316	3,282	3,939	4,495
Other Income	111	104	130	149	172
Finance Cost	112	286	307	260	209
PBT before Excep. & Forex	1,807	2,135	3,105	3,829	4,458
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,807	2,135	3,105	3,829	4,458
Taxes	468	562	782	964	1,122
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-59	165	124	136	150
Reported Net Profit	1,280	1,738	2,447	3,001	3,486
Adjusted Net Profit	1,280	1,738	2,447	3,001	3,486
Net Margin	5.0%	5.8%	7.0%	7.5%	7.7%
Diluted Share Cap. (mn)	197.1	197.1	197.1	197.1	197.1
Diluted EPS (INR)	6.5	8.8	12.4	15.2	17.7
Diluted EPS Growth	52.4%	35.8%	40.8%	22.6%	16.1%
Total Dividend + Tax	0	394	493	591	690
Dividend Per Share (INR)	0.0	2.0	2.5	3.0	3.5

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profit before Tax	1,698	2,300	3,229	3,965	4,608
Depn. & Amort.	607	690	865	1,007	1,149
Net Interest Exp. / Inc. (-)	111	283	307	260	209
Inc (-) / Dec in WCap.	-584	605	4	-145	-139
Others	-2	-216	0	0	0
Taxes Paid	-444	-629	-782	-964	-1,122
Operating Cash Flow	1,386	3,033	3,623	4,124	4,705
Capex	-1,499	-2,798	-2,750	-2,500	-2,500
Free Cash Flow	-113	235	873	1,624	2,205
Inc (-) / Dec in Investments	0	0	0	0	0
Others	-110	21	-5	-6	-6
Investing Cash Flow	-1,609	-2,777	-2,755	-2,506	-2,506
Inc / Dec (-) in Capital	-1,110	0	0	0	0
Dividend + Tax thereon	0	0	-493	-591	-690
Inc / Dec (-) in Loans	1,493	179	-100	-600	-600
Others	-152	-334	-277	-227	-172
Financing Cash Flow	232	-155	-869	-1,418	-1,462
Inc / Dec (-) in Cash	9	100	-1	200	736
Opening Cash Balance	13	22	122	121	321
Closing Cash Balance	22	122	121	321	1,057

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Shareholders' Fund	6,438	8,167	10,122	12,532	15,328
Share Capital	394	394	394	394	394
Reserves & Surplus	6,043	7,773	9,728	12,137	14,933
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	3,279	3,459	3,359	2,759	2,159
Def. Tax Liab. / Assets (-)	273	229	229	229	229
Total - Equity & Liab.	9,989	11,855	13,709	15,519	17,715
Net Fixed Assets	8,441	10,564	12,449	13,941	15,293
Gross Fixed Assets	8,384	11,738	14,488	16,988	19,488
Intangible Assets	1,819	1,819	1,819	1,819	1,819
Less: Depn. & Amort.	2,945	3,635	4,500	5,507	6,656
Capital WIP	1,182	642	642	642	642
Investments	120	258	262	265	269
Current Assets	4,244	4,827	5,419	6,289	7,714
Inventories	1,536	1,768	1,939	2,205	2,479
Sundry Debtors	2,104	2,140	2,513	2,867	3,227
Cash & Bank Balances	24	127	125	325	1,061
Loans & Advances	27	27	29	31	34
Other Current Assets	554	766	812	861	913
Current Liab. & Prov.	2,816	3,795	4,420	4,976	5,560
Current Liabilities	1,699	2,477	2,967	3,374	3,793
Provisions & Others	1,117	1,317	1,453	1,602	1,767
Net Current Assets	1,428	1,032	999	1,313	2,154
Total - Assets	9,989	11,855	13,709	15,519	17,715

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	5.0%	5.8%	7.0%	7.5%	7.7%
Asset Turnover (x)	2.7	2.7	2.7	2.7	2.7
Leverage Factor (x)	1.5	1.5	1.4	1.3	1.2
RoE	20.1%	23.8%	26.8%	26.5%	25.0%

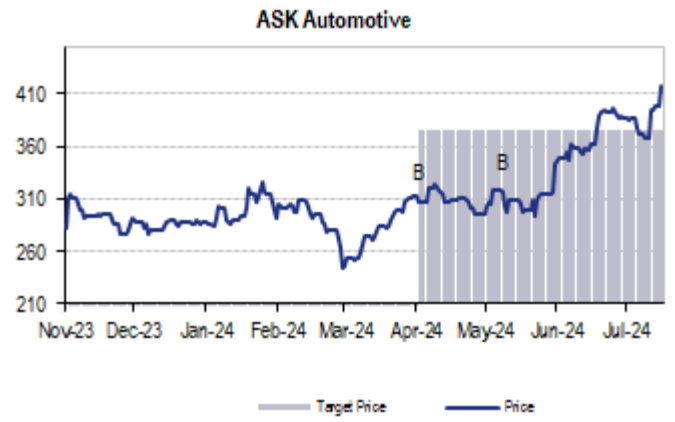
Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	32.7	41.4	51.3	63.6	77.7
ROIC	15.3%	16.4%	20.2%	21.2%	21.8%
ROE	20.1%	23.8%	26.8%	26.5%	25.0%
Net Debt/Equity (x)	0.5	0.4	0.3	0.2	0.1
P/E (x)	64.2	47.3	33.6	27.4	23.6
P/B (x)	12.8	10.1	8.1	6.6	5.4
EV/EBITDA (x)	35.4	28.4	20.6	17.1	14.7
EV/Sales (x)	3.3	2.9	2.4	2.1	1.8
Debtor days	30	26	26	26	26
Inventory days	22	22	20	20	20
Creditor days	27	34	35	35	35

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
15-Apr-24	Buy	375	
21-May-24	Buy	375	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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