

21 May 2024

India | Equity Research | Q4FY24 results review

## ASK Automotive

Auto Ancillaries

### Steady operating performance; growth drivers in place

ASK Automotive's (ASK) EBITDA margin remained steady QoQ at 10.5%, as a slight inflation in input cost was balanced by a marginal improvement in operating leverage. Ahead, we see EBITDAM scaling up to ~12–13% in FY25–26E driven by higher mix of exports, superior operating leverage with the Karoli (Rajasthan) plant already ramping up since Q1 and the incremental benefit of incentives from the Karoli plant. We expect ASK to deliver ~22% revenue CAGR (ex-wheel assembly) over FY24–26E driven by a CAGR of ~11% in the braking system business and ~27% in the aluminium light-weighting business amid expectation of ~8% domestic 2W market CAGR. Retain **BUY** and TP of INR 405, implying 24x FY26E earnings. We build in a combined capex of INR 5.5bn for FY25–26E, including ASK's Karnataka plant capex.

### Takeaways from Q4FY24 results, and our view

- ASK's EBITDA margin was at 10.5%, flat QoQ, with better scale countering a GM decline of 100bps QoQ. ASK is confident of improving margin by ~100bps in FY25 and subsequently moving towards its earlier highs of ~12–13% led by improving economies of scale, incentive from the Rajasthan plant and improving product mix. Revenue was up 38% YoY, at INR 7.8bn, and the YoY strength in growth was driven by rising traction in the aluminium casting segment (+73% YoY) in domestic/export markets. FY24 revenue at ~INR 30bn, was up 17% YoY with growth exceeding 2W industry's growth of ~10% led by a combination of new products and customer addition/wallet share gains. ASK expects 2W industry's growth at 8–9% in FY25, and guides for double-digit revenue growth for the company. Revenue from EV OEMs showed strong growth of ~133% YoY in FY24, at INR1.2bn. Revenues from its Rajasthan plant (commercial operations started) and Bengaluru plant (to be operational in Q4FY25E) are likely to support growth for FY25–26E. We expect ASK to deliver ~22% revenue CAGR (ex-wheel assembly) over FY24–26E driven by a CAGR of ~11% in braking system and ~27% in aluminium light-weighting business.
- FY25 capex is guided at ~INR 2bn for the Bengaluru plant; ~INR 3bn envisaged in FY26. We are building in INR 5.5bn of capex combined in FY25–26E with ASK aiming to operate at 1x debt/EBITDA. We expect ASK to reach net debt/equity of 0.2x by FY26E vs. 0.4x in FY24.

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#### Market Data

Market Cap (INR)	63bn
Market Cap (USD)	755mn
Bloomberg Code	ASKAUTOL IN Equity
Reuters Code	ASKA.BO
52-week Range (INR)	335 /240
Free Float (%)	13.0
ADTV-3M (mn) (USD)	1.0

Price Performance (%)	3m	6m	12m
Absolute	5.7	2.8	0.0
Relative to Sensex	3.6	(9.5)	0.0

### Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	25,551	29,937	31,517	38,503
EBITDA	2,363	2,998	3,940	5,236
EBITDA %	9.2	10.0	12.5	13.6
Net Profit	1,228	1,729	2,485	3,445
EPS (INR)	6.2	8.8	12.6	17.5
EPS % Chg YoY	48.8	40.8	43.7	38.6
P/E (x)	51.2	36.4	25.3	18.3
EV/EBITDA (x)	25.2	19.9	15.4	11.4
RoCE (%)	15.1	16.8	18.8	22.2
RoE (%)	19.3	23.7	25.8	29.1

Earnings Revisions (%)	FY25E	FY26E
Revenue	(0.8)	(0.7)
EBITDA	(0.8)	(0.7)
EPS	1.6	3.1

#### Previous Reports

07-02-2024: [Q3FY24 results review](#)12-01-2024: [Initiating Coverage](#)

**Exhibit 1: Q4FY24 result summary**

Consol. (INR mn)	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
<b>Total Operating Income</b>	<b>7,825</b>	<b>5,687</b>	<b>38%</b>	<b>7,617</b>	<b>3%</b>
Cost of Materials	5,350	3,922	36%	5,129	4%
As % of sales	68.4%	69.0%	-60 bps	67.3%	103 bps
<b>Gross profit</b>	<b>2,475</b>	<b>1,764</b>	<b>40%</b>	<b>2,487</b>	<b>-1%</b>
<b>Gross margin</b>	<b>31.6%</b>	<b>31.0%</b>	<b>60 bps</b>	<b>32.7%</b>	<b>-103 bps</b>
Employee Expenses	435	338	29%	438	-1%
As % of sales	5.6%	5.9%	-39 bps	5.8%	-20 bps
Other Expenses	1,217	949	28%	1,248	-2%
As % of sales	15.6%	16.7%	-115 bps	16.4%	-83 bps
<b>EBITDA</b>	<b>823</b>	<b>477</b>	<b>73%</b>	<b>801</b>	<b>3%</b>
<b>EBITDA margin</b>	<b>10.5%</b>	<b>8.4%</b>	<b>213 bps</b>	<b>10.5%</b>	<b>0 bps</b>
Depreciation	190	152	25%	181	5%
<b>EBIT</b>	<b>634</b>	<b>325</b>	<b>95%</b>	<b>620</b>	<b>2%</b>
<b>EBIT Margin</b>	<b>8.1%</b>	<b>5.7%</b>	<b>238 bps</b>	<b>8.1%</b>	<b>-4 bps</b>
Interest	79	37	113%	84	-7%
Other Income	33	25	35%	15	128%
<b>PBT</b>	<b>589</b>	<b>313</b>	<b>88%</b>	<b>551</b>	<b>7%</b>
<b>PBT Margin</b>	<b>7.5%</b>	<b>5.5%</b>	<b>202 bps</b>	<b>7.2%</b>	<b>29 bps</b>
Tax expenses	122	93	31%	156	-22%
Share of profit from associates	11	5	102%	105	-90%
<b>Adjusted PAT</b>	<b>478</b>	<b>225</b>	<b>112%</b>	<b>499</b>	<b>-4%</b>
Reported PAT	478	225	112%	499	-4%

Source: I-Sec research, Company data

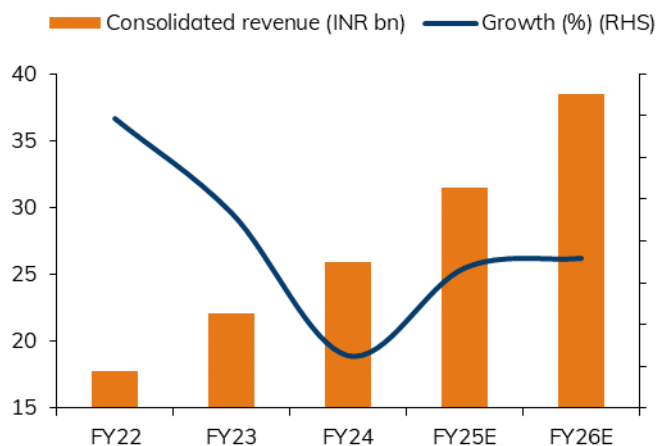
**Exhibit 2: Estimates revision**

	FY25E			FY26E		
	Old	Revised	% change	Old	Revised	% change
Revenue (INR mn)	31,761	31,517	-0.8%	38,791	38,503	-0.7%
EBITDA (INR mn)	3,970	3,940	-0.8%	5,276	5,236	-0.7%
EBITDA margin (%)	12.5%	12.5%	0 bps	13.6%	13.6%	0 bps
PAT (INR mn)	2,448	2,485	1.5%	3,347	3,445	2.9%
EPS (INR)	11.8	11.9	1.6%	16.3	16.8	3.1%

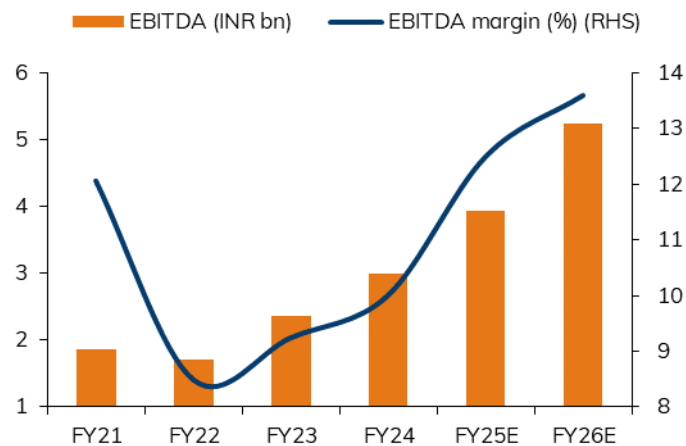
Source: I-Sec research

**Downside risks**

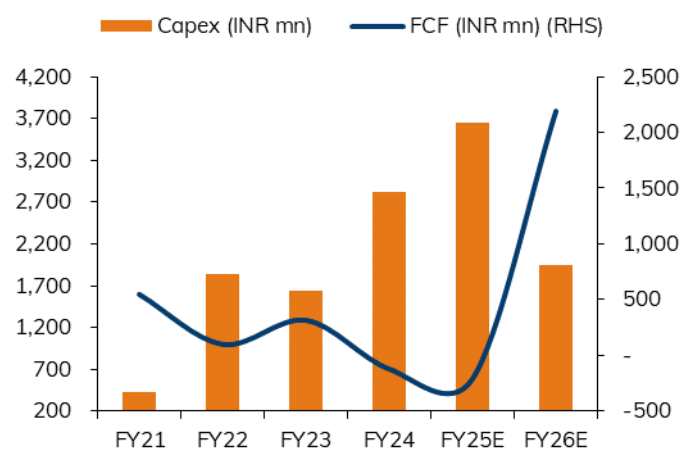
- Concentration of revenue from 2W segment (~80%). Any major adversity impacting retail demand of 2Ws in India, such as issues related to financing, weak consumer sentiment across rural/urban markets, regulatory changes etc. could adversely impact ASK's business.
- ASK's revenue is dependent on its top three customers (more than 50% of revenue) with its single-largest customer, HMSI, contributing more than 30% to its revenue from operations. Production loss of any of these customers, or a reduction in wallet share from any of them could adversely affect ASK's business, results of operations and financial condition.
- Competition in aluminum casting is higher vs. 2W braking solutions. Thus, inability to improve in margins in the aluminum segment can be a hurdle to overall EBITDAM improving from its present ~10% to the targeted ~14% levels.
- Clean balance sheet and improving FCF might lure ASK into inorganic deals and put RoCE under risk.

**Exhibit 3: Consolidated revenue vs. growth trend**

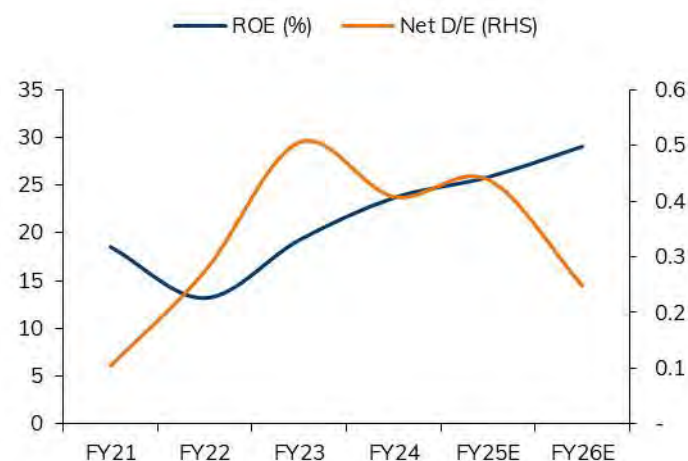
Source: I-Sec research, Company data

**Exhibit 4: EBITDA vs. EBITDA margin trend**

Source: I-Sec research, Company data

**Exhibit 5: Capex vs. FCF trend**

Source: I-Sec research, Company data

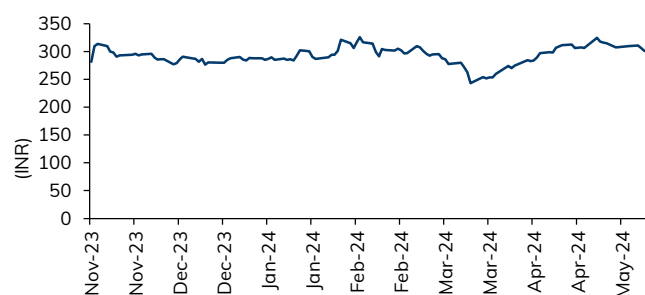
**Exhibit 6: RoE vs. net debt/equity**

Source: I-Sec research, Company data

**Exhibit 7: Shareholding pattern**

%	Dec'23	Mar'24
Promoters	85.0	85.0
Institutional investors	7.4	8.5
MFs and others	1.9	1.8
FIs/Banks	1.1	0.5
Insurance	0.7	1.7
FIIIs	3.7	4.5
Others	7.6	6.5

Source: Bloomberg, I-Sec research

**Exhibit 8: Price chart**

Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Net Sales</b>	<b>25,551</b>	<b>29,937</b>	<b>31,517</b>	<b>38,503</b>
Operating Expenses	5,370	6,514	6,461	7,855
<b>EBITDA</b>	<b>2,363</b>	<b>2,998</b>	<b>3,940</b>	<b>5,236</b>
<b>EBITDA Margin (%)</b>	<b>9.2</b>	<b>10.0</b>	<b>12.5</b>	<b>13.6</b>
Depreciation & Amortization	607	690	750	850
EBIT	1,756	2,308	3,190	4,386
Interest expenditure	112	286	250	200
Other Non-operating Income	111	104	130	140
<b>Recurring PBT</b>	<b>1,755</b>	<b>2,126</b>	<b>3,070</b>	<b>4,326</b>
Profit / Loss from Associates	-	-	-	-
Less: Taxes	468	562	785	1,102
PAT	1,287	1,564	2,285	3,225
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,228	1,729	2,485	3,445
<b>Net Income (Adjusted)</b>	<b>1,228</b>	<b>1,729</b>	<b>2,485</b>	<b>3,445</b>

Source Company data, I-Sec research

### Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	4,005	4,548	4,775	5,807
of which cash & cash eqv.	24	127	120	120
Total Current Liabilities & Provisions	2,559	3,493	3,677	4,492
<b>Net Current Assets</b>	<b>1,445</b>	<b>1,055</b>	<b>1,098</b>	<b>1,315</b>
Investments	40	205	200	200
Net Fixed Assets	7,258	9,922	12,822	13,922
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,182	642	642	642
Total Intangible Assets	-	-	-	-
Other assets	326	332	350	427
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>10,253</b>	<b>12,157</b>	<b>15,117</b>	<b>16,511</b>
Liabilities				
Borrowings	3,279	3,459	4,530	3,280
Deferred Tax Liability	280	229	280	280
Provisions	-	-	-	-
Other Liabilities	257	302	257	257
Equity Share Capital	394	394	394	394
Reserves & Surplus	6,043	7,773	9,657	12,301
<b>Total Net Worth</b>	<b>6,438</b>	<b>8,167</b>	<b>10,051</b>	<b>12,695</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>10,253</b>	<b>12,157</b>	<b>15,117</b>	<b>16,511</b>

Source Company data, I-Sec research

### Exhibit 11: 5 stage Du-Pont

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Tax Burden	0.7	0.8	0.8	0.8
Interest Burden (PBT/EBIT)	1.0	0.9	1.0	1.0
EBIT Margin	7%	8%	10%	11%
Asset Turnover	2.5	2.5	2.1	2.3
Financial Leverage	1.6	1.5	1.5	1.3
ROE	19.3	23.7	25.8	29.1

Source Company data, I-Sec research

### Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Operating Cashflow</b>	<b>1,962</b>	<b>2,697</b>	<b>3,446</b>	<b>4,138</b>
Working Capital Changes	15	(8)	91	(217)
Capital Commitments	(1,643)	(2,813)	(3,650)	(1,950)
<b>Free Cashflow</b>	<b>319</b>	<b>(117)</b>	<b>(204)</b>	<b>2,188</b>
Other investing cashflow	(40)	(165)	5	-
<b>Cashflow from Investing Activities</b>	<b>(1,684)</b>	<b>(2,978)</b>	<b>(3,645)</b>	<b>(1,950)</b>
Issue of Share Capital	(10)	-	-	-
Interest Cost	(112)	(286)	(250)	(200)
Inc (Dec) in Borrowings	1,525	180	1,071	(1,250)
Dividend paid	-	-	-	-
Others	(1,680)	480	(460)	(700)
<b>Cash flow from Financing Activities</b>	<b>(277)</b>	<b>374</b>	<b>361</b>	<b>(2,150)</b>
Chg. in Cash & Bank balance	2	93	162	38
Closing cash & balance	24	127	120	120

Source Company data, I-Sec research

### Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
<b>Per Share Data (INR)</b>				
Reported EPS	6.2	8.8	12.6	17.5
Adjusted EPS (Diluted)	6.2	8.8	12.6	17.5
Cash EPS	9.3	12.3	16.4	21.8
Dividend per share (DPS)	-	1.8	2.4	3.4
Book Value per share (BV)	32.7	41.4	51.0	64.4
Dividend Payout (%)	-	11.4	20.0	20.0
<b>Growth (%)</b>				
Net Sales	26.9	17.2	5.3	22.2
EBITDA	38.1	26.9	31.4	32.9
EPS (INR)	48.8	40.8	43.7	38.6
<b>Valuation Ratios (x)</b>				
P/E	51.2	36.4	25.3	18.3
P/CEPS	34.3	26.0	19.4	14.6
P/BV	9.8	7.7	6.3	5.0
EV / EBITDA	25.2	19.9	15.4	11.4
EV / Sales	2.3	2.0	1.9	1.5
<b>Profitability Ratios</b>				
Gross Profit Margins (%)	30.3	31.8	33.0	34.0
EBITDA Margins (%)	9.2	10.0	12.5	13.6
EBIT Margins (%)	6.9	7.7	10.1	11.4
Net Profit Margins (%)	4.8	5.8	7.9	8.9
RoCE (%)	15.1	16.8	18.8	22.2
RoE (%)	19.3	23.7	25.8	29.1
Dividend Yield (%)	-	0.5	0.7	1.1
<b>Operating Ratios</b>				
Fixed Asset Turnover (x)	3.0	2.8	2.3	2.6
Inventory Turnover Days	22	22	22	22
Receivables Days	30	26	26	26
Payables Days	24	30	30	30
Effective Tax Rate (%)	26.7	26.4	25.6	25.5
Net Debt / Equity (x)	0.5	0.4	0.4	0.2
Net Debt / EBITDA (x)	1.4	1.1	1.1	0.6

Source Company data, I-Sec research

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