



ASK AUTOMOTIVE LIMITED

(Formerly known as ASK Automotive Private Limited)

Date: November 4, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001
Scrip Code: 544022

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block - G, Bandra
Kurla Complex, Bandra (East),
Mumbai - 400 051
Symbol: ASKAUTOLTD

Sub: Transcript of Investors/analysts Call – Q2 FY 2024-25 Unaudited Financial Results

Dear Sir/Madam,

Pursuant to the requirement of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Investors/analysts Call organized on October 30, 2024 post declaration of Unaudited Financial Results of the Company (Standalone & Consolidated) for the quarter and half year ended September 30, 2024.

The same shall be available on our website i.e. www.askbrake.com.

This is for your information and records.

Thanking you.

Yours Faithfully,

For **ASK Automotive Limited**

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Date: 2024.11.04
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Vice President (Legal) Company Secretary
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“ASK Automotive Limited
Q2 and H1 FY25 post-conference call”

October 30, 2024



DRIVING
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**MANAGEMENT: MR. KULDIP SINGH RATHEE – CHAIRMAN AND
MANAGING DIRECTOR – ASK AUTOMOTIVE LIMITED
MR. PRASHANT RATHEE – WHOLE-TIME DIRECTOR –
ASK AUTOMOTIVE LIMITED
MR. AMAN RATHEE -- WHOLE-TIME DIRECTOR --
ASK AUTOMOTIVE LIMITED
MR. NARESH KUMAR SHARMA – CHIEF FINANCIAL
OFFICER – ASK AUTOMOTIVE LIMITED
MR. SANJEEV ARORA– VICE PRESIDENT, HEAD OF
FINANCIAL STRATEGY AND INVESTOR RELATIONS –
ASK AUTOMOTIVE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the ASK Automotive Q2 and H1 FY25 post-conference call hosted by Adfactors PR. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference call is being recorded. I now hand the conference over to Mr. Snighter Albuquerque. Thank you and over to you, sir.

Snighter Albuquerque: A very good evening to everyone and welcome to the Q2 and H1 FY25 earnings call of ASK Automotive Limited. From the senior management, we have with us Mr. Kuldeep Singh Rathee, Chairman and Managing Director, Mr. Prashant Rathee, Whole-Time Director, Mr. Aman Rathee, Whole-time director, Mr. Naresh Kumar, Chief Financial Officer, and Mr. Sanjeev Arora, Vice President, Financial Strategy and Investor Relations.

Before we begin the earnings call, I would like to mention that some of the statements made during today's call may be forward-looking in nature and hence it may involve risks and uncertainties, including those related to the future financials and operating performance of the company.

Please bear with us if there is a call dropped during the course of the conference call. We would ensure the call is reconnected at the earliest. I would now like to hand over the call to Mr. Kuldeep Singh Rathee for his opening remarks. Thank you and over to you, sir.

Kuldip Singh Rathee: Good evening, ladies and gentlemen. At the outset on this happy occasion, I and the whole ASK team would like to wish you all a very happy and prosperous Diwali. May this festival bring abundance of success, good health, wealth, joy, and happiness in your life.

I am elated to be with you today evening to update you on our business performance for the second quarter and half year ended September 30, 2024. I would like to begin by giving some insights on the industry update followed by details of our business performance. As per SIAM report, the automobile sector in terms of vehicle production across all segments grew at around 9% in Q2 FY25, against the same period last year. Amongst all segments, two-wheeler segments stood out and witnessed a considerable growth of 12.5% in Q2 FY25 and 15.8% in H1 FY25 on a year-on-year basis. The two-wheeler industry registered robust vehicle production volume of 6.3 million in Q2 FY25 against 5.6 million in the same period last year. The two-wheeler vehicle production in H1 FY25 was at 12.2 million against 10.4 million in the same period last year. The strong momentum in two-wheeler sector continued in Q2 FY25 with positive market sentiments for upcoming festival season and pent-up demand from the rural and urban sector with end of good monsoon across India.

I am now moving on to ASK business performance. I am delighted to share with you that we had a strong finish to the second quarter and first half of the year in both revenue and

profitability. This is the fourth consecutive quarter of robust performance by us since listing of the company last year. During Q2 FY25, we delivered a strong performance in business and recorded significant growth of 22% in revenue, 50% in EBITDA and 63% in PAT on year-on-year basis. This is the highest ever absolute revenue and EBITDA earned by us in any quarter in the past.

We have also continued to outperform the two-wheeler industry vehicle production growth in Q2 FY25. Further, I am glad that our EBITDA margins have crossed 12% level. We have delivered EBITDA margins of 12.2% in Q2 FY25, which is 230 basis points higher than Q2 FY24 and 20 basis points higher than Q1 FY25. As a result of strong performance in Q2 FY25, our revenue has grown by 26%, EBITDA by 55% and PAT by 63% in H1 FY25 on year-on-year basis. Our EBITDA margins stood at 12.1% in H1 FY25 with an improvement of 220 basis points on year-on-year basis. These strong results reflect the result of our continued focus on expanding value-added businesses, improving utilization of production capacities and bringing cost efficiencies.

Our aim is to sustain this level of EBITDA margins and improve gradually in the subsequent quarters depending upon the growth of the two-wheeler industry in H2 FY25. With strong performance on profitability, our earning per share in H1 FY25 has increased to INR 6.3 per share against INR 3.86 per share in the same period last year.

Let me now go into further details of our performance on both revenue and margin side. We have delivered robust performance in Q2 FY25 and recorded consolidated total income of INR 976 crore, which is 22% higher on year-on-year basis. As a result, the consolidated total income for H1 FY25 stood at INR 1,841 crore hosting 26% year-on-year growth. All the three product segments continue to perform well and deliver robust revenue growth in Q2 FY25. We have sustained market leadership position in the advanced braking system business with 18% year-on-year growth.

The aluminium light weighting precision solutions, our largest business segment with 45% share of revenue, led the growth momentum and delivered 27% year-on-year growth. And safety control cables also grew by a healthy 18% on year-on-year basis. We have recorded strong growth in our margins and profitability. Our Q2 FY25 EBITDA stood at INR 119 crore recording 50% year-on-year growth and H1 FY25 at INR 222 crore hosting 55% year-on-year growth. We have delivered PAT of INR 67 crore with 63% year-on-year growth in Q2 FY25 and INR 124 crore in H1 FY25 with 63% growth on year-on-year basis.

Now, let me talk briefly about status of expansion plans of our production capacity. Firstly, our mega manufacturing facility at Karoli is expanding fast. The increased economies of scale and operational efficiencies are benefiting us in delivering better results. We have started to generate positive EBITDA margins from this plant now. Secondly, construction work for our upcoming new plant at Bengaluru, the third plant in South India, is progressing as per schedule and is expected to operationalize from Q4 FY25. Thirdly, commissioning of work of our upcoming solar power plant of 9.9 megawatts in Sirsa, Haryana for captive consumption is nearing completion.

As we go forward, we are hopeful of maintaining trend of outperforming industry growth in the subsequent quarter of FY25. We anticipate the growth momentum in two-wheeler sector to continue for the remaining part of the year with prevailing positive market sentiment on arrival of the upcoming festive season. At last, our endeavour and commitment is to always keep contributing towards the value creation for our stakeholders and investors. So, ladies and gentlemen, now I open the floor for questions and answers.

Moderator: Thank you very much, sir. Our first question is from the line of Kunal Ochiramani from Kitara Capital. Please go ahead.

Kunal Ochiramani: Hi, sir. Congratulations for record numbers. I just wanted to know when will the alloy wheels business start and how much revenue and margins do we expect from the business?

Kuldip Singh Rathee: Well, I'm happy to share, that there is a very steady progress in the alloy wheel business and our Bangalore plant will get commissioned in the quarter four. So, you can expect after due testing the business to start in the next financial year.

Kunal Ochiramani: What is the capacity and how much revenue do we expect?

Kuldip Singh Rathee: We can't comment at the moment about the revenues. It will all depend on how the tests perform on the Indian roads.

Kunal Ochiramani: And the capacity number of wheels?

Kuldip Singh Rathee: Capacity is not an issue because we are investing INR 200 crore and the machines are the High Pressure Die Castings which are the common machines.

Kunal Ochiramani: Thank you, sir.

Moderator: Thank you. next question is from the line of Naveen Kumar Dubey from Narnolia Financial Advisors. Please go ahead.

Naveen Kumar Dubey: First of all, congratulations sir, on your strong set of numbers. Despite the industry is witnessing some kind of bleak scenario. My first question is related to industry itself. How do you see the two-wheeler industry panning out going forward? As we see that industry has already made, I think, about the peak of 2018. So, how do you see the numbers going forward?

Kuldip Singh Rathee: What we understood you are asking about the performance of the two-wheeler industry. Well, as we rightly heard, the peak was 18-19. The industry, even till last year, did not come up to that number. But this year, we are seeing a good growth in the two-wheeler industry. We are hopeful that it will touch or just cross that number. It will be very near to that number.

Naveen Kumar Dubey: So, actually, I was referring by adding the electric vehicle numbers also, sir. If we add both, the industry has surpassed, I think.

Kuldip Singh Rathee: Yes. This year, if we add that, that's a very small number, electric vehicle number. But I think we'll be around that or we'll surpass a little bit.

Naveen Kumar Dubey: And another question is, sir, we see the export is still a very small part of our revenue as of now. How do you see the traction in the export markets? Because export, basically, we see Europe and the US and news is not very good from that side. So, how is the response on the export front, sir?

Kuldip Singh Rathee: Yes, you are right. The export front, the Europe business is seeing some problems in terms of demand. And one of our major customers is in the process of correcting their huge inventories in the pipeline. So, we are growing, but it's a very, very nominal growth that we are up to. Though the Q2, we have performed much better than the Q1. And further also, they are saying that now they'll start further.

But yes, I will confess, Europe is still in demand. But the good part is next year, we have a substantial big order of more than INR 75 crore, which is additional to the existing business. And that's likely to start by the middle of January. So, that will see us and give us a quantum jump in the next financial year.

Naveen Kumar Dubey: Okay. Well, that's great to hear that from the export front. Still, the industry is not doing good and still you are getting the orders there. And one more thing related to FRAS-LE, JV, we are seeing that numbers are not improving in the PL front. Any update on that side?

Kuldip Singh Rathee: So, the update is that commercial vehicle sector, as you know, is not doing that well. The numbers have not been good there. But still, the good part is that our share of business is continuously increasing in Tata and Eicher Volvo. And as I said just now, Europe is a little bit flat in demand. So, there as well a little export demand got affected. But now, we have very good orders for this particular quarter. So, we see a huge revival, a good amount of revival in these two quarters, quarter three and quarter four.

Naveen Kumar Dubey: Okay. And the last question, sir, on margin front, we are seeing the consistent margin improvement quarter on quarter that we are seeing. What is the cost-cutting initiative you are taking there? And any pressure from the commodity price increases in the recent times?

Kuldip Singh Rathee: So, the commodity prices, we have no issues because we are hedged back to back with the customers. So, there we are totally secure. And as regards the margins improving, I have said many times that historically, our margins have been between 12% to 13%. And I said that we'll be crossing 11.5% and inching towards 12%. Because our new Karoli plant has come into about 45% - 50% capacity utilization. So, because of that, there are huge economies of scale that we are deriving.

Happy to share with all of you that the Karoli plant has been EBITDA positive. So, that's getting reflected in the overall numbers. So, we are very confident that for the full year also, we would be able to maintain this 12% EBITDA margin this year. And we'll try to further improve it next year.

Naveen Kumar Dubey: That's great to hear, sir. And that's it from my side. And congratulations and all the best again, sir.

- Moderator:** Thank you. Our next question is from the line of Ronak Mehta from JM Financial. Please go ahead.
- Ronak Mehta:** Thank you for the opportunity and congratulations on a good set of numbers. So, my first question is on the Karoli plant. Like you highlighted that the capacity ramp up is at about 50% right now. How do you see the ramp up over the balance part of the year and next year? Are there any new order wins that you would want to highlight which will help this plant to ramp up further?
- Kuldip Singh Rathee:** Yes. The ramp up will definitely happen next year. This year, it will remain at about 50%-55% but next year, we expect it to go up to 70%.
- Ronak Mehta:** Okay. And any new order wins to highlight?
- Kuldip Singh Rathee:** It is such a huge plant. And because we have only constructed 60% of it, 40% is still left. So, maybe we keep on investing and if more and more orders come, there is potential to grow there.
- Ronak Mehta:** Fair point. And are we accruing any incentive? Have we started receiving incentive on this plant or that is yet to come?
- Kuldip Singh Rathee:** Incentives, we have qualified. We have got the eligibility certificate. But we will start getting it. They will accrue from quarter 4.
- Ronak Mehta:** Okay. And that will be for the full year? What will be the incentive for next year?
- Kuldip Singh Rathee:** This financial year, it will be only for quarter 4 and from next financial year, it will be for the full year.
- Ronak Mehta:** The quantum for the next year?
- Kuldip Singh Rathee:** Quantum will depend on the sales in the state. That cannot be identified at the moment. But I think even this part will substantially add to our EBITDA margins.
- Ronak Mehta:** Now, my second question is on the PV business. So, you have highlighted in the presentation about orders from Maruti, Mahindra and Mahindra and some of the PV OEMs. Can you highlight what are the products that you will be supplying to these OEMs? What will be the content and what can be the potential revenue from these orders over the next couple of years?
- Kuldip Singh Rathee:** No. We are totally focusing on the PV to Tier 1 suppliers, as I said. Because we are into the business of very light weighting and critical components. So, we are supplying those to the very esteemed customers in the Tier 1. And I am very happy to share that in this H1, we have grown by 26% in the revenues in the PV also.
- Ronak Mehta:** But what is the revenue potential or what is the current revenue from the PV OEMs?

- Kuldip Singh Rathee:** In our line, nothing is abrupt. And we have to continuously make effort and gradually grow in each segment. Because there are other players also, so it's not a very easy road.
- Ronak Mehta:** Okay, fair point. Thank you, sir. That's all from me.
- Moderator:** Thank you. Our next question is from Basudeb Banerjee from CLSA. Please go ahead.
- Basudeb Banerjee:** Congrats. A couple of things. So, as you just said, the incentives will start coming from Q4 and fully next fiscal. So, it will be on a quarterly basis next year or it will be lumpy as such, accounted for next year?
- Kuldip Singh Rathee:** It will be on a monthly basis as per the sales in the Rajasthan state.
- Naresh Kumar:** Actually, we have accumulated input credit. Then first, that input credit will be utilized, then we'll start accruing those.
- Sanjeev Arora:** It's a GST incentive, as and when we are going to sell, the GST incentive is going to accrue. So, we're going to account for it on a monthly basis
- Basudeb Banerjee:** Surely. So, largely in FY26, it will be broadly across every quarter.
- Kuldip Singh Rathee:** Yes. Very correct. From Q4, we'll start with that.
- Basudeb Banerjee:** And second thing, sir, if I recall, your export quantum, which was close to what, INR 140 crore-INR 150 crore last year?
- Kuldip Singh Rathee:** Yes, correct. It was INR 140 crores-INR147 crores. Very correct.
- Basudeb Banerjee:** So, this year because of the slowdown you mentioned, roughly, where do you see it ending? And is that INR 300 crore outlook for FY26 for exports still intact?
- Kuldip Singh Rathee:** See, we will grow this year also, in spite of very bad conditions. But next year, that one extra order of INR 75 crore will give additional push. So, maybe we are in that range, almost INR 250 crores-INR 300 crore.
- Management:** Definitely, we are targeting and we are making efforts to achieve that.
- Basudeb Banerjee:** Fascinating. Last question, sir. Like, two-wheeler EVs getting precedence, Bajaj also ramping up. So, you are almost garnering one-third of your revenue from Honda. So, any clue on Honda's EV launch? Any timeline and what all critical components you will be supplying? Anything on that, sir?
- Aman Rathee:** So, basically, in the EV segment, we have been serving the whole industry and as you know, in EV, because of lightweighting, more and more aluminum content is there. So, on the same lines, we are serving the industry. Honda has given us a tentative indication of next year of launching the EVs. But it will all depend on the industry growth. But we are fully geared up with all the products.

- Basudeb Banerjee:** So, Amanji, any timeline? Like, next year means almost, I thought it was expected sometime this year only.
- Aman Rathee:** So, Basuji, no, it's next year only and maybe we'll be sure of that by quarter four. By quarter four, we'll be able to tell you.
- Basudeb Banerjee:** Sure, sir. Thanks.
- Moderator:** Thank you. Our next question is from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.
- Jyoti Singh:** Thank you for the opportunity. And congratulations on a good set of numbers. On the export side, is there any expectation for an increase in the coming year, like you mentioned, that INR 400 crore will grow. How are we expecting that kind of growth because the situation is not that great on the Europe side. So, how we are able to manage that kind of a large order? And how are we managing overall on the export side?
- Kuldip Singh Rathee:** No, no, exports, as I told you, this time it's a very tough call. Because the European market, you know, they are correcting the inventories. But I have just said that we will cross last year's exports numbers. We are confident on that. And about next year, as you said, these orders take two to three years of effort. First you get the orders, then you make the samples, they are vetted. So, it takes lead time with that. But in that lead time, what has been approved? So, we'll get INR 75 crore new order from a new customer. That's what I said.
- Jyoti Singh:** Okay. Thank you, sir. And sir, what is your perspective on the recovery of the rural market for 2-wheeler? A lot of positiveness on there. So, what's your perspective?
- Kuldip Singh Rathee:** Well, I am always a positive person. Because I feel the infrastructure spending in H1 has not been there because of the elections and other reasons and I feel there will be a lot of spending. Because if you see the budget of INR 11 lakh crore, I think the government will be on a spending spree, once they are free from this Maharashtra election. So, the rural sector should pick up. That's my feeling.
- Jyoti Singh:** Thank you, sir. So, just one last question. On the aluminum light weighting side. So, a lot of contradictory view that is going on for the EV side. But we will grow more if penetration is high in EV, so, how is the demand scenario we are seeing? And what are the expectations, basically, for the aluminum light weighting product?
- Kuldip Singh Rathee:** No, we see a very good scope, if the EV starts going. EV is slow, as you know, till date. It has not picked up very much. But whatever it has picked up. We have still grown 26% in the H1, in the EV, in our sales. So, that's all because of light weighting.
- Jyoti Singh:** Okay, thank you so much.
- Moderator:** Thank you. Our next question is from Joseph George from IIFL. Please, go ahead.
- Joseph George:** Hi, thank you. Congratulations on the quarter and happy Diwali to all of you. So, I just had a couple of questions. So, one is, just a clarification. You talked about an export order with a value

of about INR 75 crore. Just wanted to confirm, is that the annual value and how many years of recurring revenues are we looking at?

Kuldip Singh Rathee: Yes, it is an annual value. The additional order is of annual value.

Joseph George: Okay, and is it a recurring order for several years ahead or is it like a one time?

Kuldip Singh Rathee: It's a recurring order. So, that's why we are saying that next year, we expect our revenues to be between INR 250 crore to INR 300 crore, if all goes well.

Joseph George: The second question that I had was on the solar power. Could you quantify the savings that you expect to see? I guess the benefits will start flowing in FY26. Could you quantify the benefit that you expect to accrue because of this, maybe in terms of power savings, etc?

Kuldip Singh Rathee: We don't have any past experience on that. But the manufacturer says that you will recover the investment in five years.

Joseph George: Okay, and how much have you invested just to refresh my memory?

Kuldip Singh Rathee: INR 45 crore - INR48 crore, something like that. We will worship the sun for that, so that we get regular supply because it is our first experience.

Joseph George: Sure, sir. And the last question that I had was in relation to the alloy wheels business. Because we are seeing, one or two other players also setting up alloy wheels. So, in that context, I just want to understand how big is the market for 2-wheeler alloy wheels right now? I mean, based on the orders, etc, that you have received, how confident do you feel with respect to Scale up? Because it's a segment that is attracting the attention of many players like you.

Kuldip Singh Rathee: See, as I just said that the testing will take maybe six months. So, this question will be more confidently answered in the next-to-next earnings call. Because till the time it gets tested, it gets approved, we can't say anything. But we are very confident because the person with whom we have tied up is already an OEM for last many, many years in Taiwan. And then he's supplying to European market also. So, we can't imagine anything wrong with the Indian roads. We feel Indian roads are also very good.

Joseph George: Sure, sir. And just last question related to alloy wheels. You mentioned that you are investing about INR 200 crore, right?

Kuldip Singh Rathee: Yes, but that's not for alloy wheels. That is in general for the die casting. It's an aluminum lightweighting section. And as I say that the machines are the same, so that can be used anywhere.

Joseph George: Sure, understood, sir. Thank you. That's all I have

Moderator: Thank you. The next is a follow-up question from a line of Ronak Mehta from JM Financial. Please go ahead.

Ronak Mehta: Thank you for the opportunity once again. Just one follow-up, sir. Any update on the JV with AISIN Group, when will supplies start? What is the potential of that JV? Whatever you can highlight.

Kuldip Singh Rathee: So, Ronak, the JV formation was done and all the expected operations are expected in Q4 of FY25. So, we are all gearing up for that. And it has a potential of about INR 100 crore to INR 150 crore per annum over the next three to five years.

Ronak Mehta: Yes. Okay, thank you.

Moderator: Thank you. As there are no further questions for today, I would now hand the conference over to Mr. Kuldeep Singh Rathee from ASK Automotives for closing comments.

Kuldip Singh Rathee: Thank you, ladies and gentlemen. And on this good note of the performance of H1, I would like to reassure you all that we'll be working in the right direction and put up all the hard work with sincerity, so that we come up to the expectations of our dear investors and add value for our stakeholders. Thank you very much. And again, wishing you a very, very happy and prosperous Diwali to all of you. Thank you.

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