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Company update and
earnings revision

Automobiles

Target price: Rs320

Earnings revision

(%)	FY21E	FY22E	FY22E
Sales	↑ 0.8	↑ 0.7	↑ 0.7
EBITDA	↑ 1.5	↑ 1.1	↑ 1.0
EPS	↑ 3.7	↑ 2.1	↑ 1.9

Target price revision

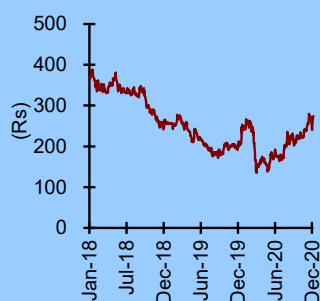
Rs320 from Rs316

Shareholding pattern

	Mar '20	Jun '20	Sep '20
Promoters	54.3	54.3	54.3
Institutional investors	2.6	2.8	2.5
MFs and others	1.3	1.3	1.3
FIs/Banks	0.1	0.3	0.0
FII	1.1	1.2	1.2
Others	43.1	42.9	44.2

Source: BSE

Price chart



Research Analysts:

Nishant Vass

nishant.vass@icicisecurities.com
+91 22 6637 7260

Pratit Vajani

pratit.vajani@icicisecurities.com
+91 22 6637 7161

INDIA

Asahi India Glass

ICICI Securities

BUY

Maintained

Rs279

New import duties to aid domestic players

Asahi India Glass (AISG) along with a consortium of glass manufacturers filed for the imposition of countervailing (CVD)/anti-subsidy duty on the import of 'clear float glass' from Malaysia with the designated authority. The conclusion of the investigation has led to imposition of >10% additional CVD on key Malaysian exporters. This action coupled with the earlier renewed anti-dumping duty (ADD) could effectively lead to price increase of imports into India by ~19-34% (assuming other costs are stable). We reiterate our positive stance on AISG driven by: a) improvement in business outlook on architectural side as more import restrictions are put in place; b) steady auto demand coupled with healthy product mix (rising share of SUVs) even as AISG remains a dominant supplier; and c) healthy operating leverage and financial deleveraging play. **Maintain BUY.**

- **Policy support continues for local manufacturers:** Government has notified an additional CVD /anti-subsidy duty of ~9.74%-11.15% on imports from Malaysia. As per the notification, Malaysia contributed ~81% of total imports into India. Policy makers evaluated various aspects of subsidisation provided in Malaysia with key aspects being a) industrial gas subsidy, b) grants for market development, and c) various tax exemptions. Key beneficiaries like Xinyi group and Kibing group were found to have availed up to ~20% subsidy benefits, hence, CVD rates of 9.74%(Xinyi) and 11.15% (Kibing) have been notified.
- **How could the import pricing change due to these measures:** The ADD + CVD could increase the cost of imports between 19-34% in India. For example: If the CIF/landed value of exports to India by Xinyi for PUC is US\$250/MT, Xinyi has to pay US\$22.87/MT as ADD and US\$24.35 / MT (as CVD. With the same price of exports, other exporters will be paying US\$76/MT as ADD, and US\$10.05/MT as CVD. We believe this could have twin effects of a) increased utilisation of domestic players, b) increase in domestic pricing of clear glass which could aid profitability.
- **Auto segment remains resilient:** Domestic PV industry is witnessing stabilisation of demand and with the success of new products (SUVs), it is likely to aid product mix for AISG. The commissioning of Gujarat plant in coming months is likely to create more capacity headroom for growth across both architectural and automotive segment, thus will aid further improvement in asset utilisation, return ratios.
- **Maintain BUY:** We like Asahi's business as it: 1) Has a dominant automotive market share and limited EV risk; 2) is a proxy play to the growing architectural segment. We revise our earnings marginally by ~4%/2%/2% for FY21E/22E/23E, respectively, on the back of strong cost reductions. We value Asahi at an unchanged multiple of 12x Dec'22E EV/EBITDA. **Maintain BUY** with a revised target price of Rs320/share (earlier: Rs316).

Market Cap	Rs67.8bn/US\$925mn	Year to Mar (Std)	FY20	FY21E	FY22E	FY23E
Reuters/Bloomberg	AISG.BO /AISG IN	Revenue (Rs mn)	26,007	22,925	29,473	32,944
Shares Outstanding (mn)	243.1	Adj. Net Income (Rs mn)	1,629	958	2,607	3,418
52-week Range (Rs)	299/118	Adj. EPS (Rs)	6.7	3.9	10.7	14.1
Free Float (%)	45.7	% Chg YoY	(15.1)	(41.2)	172.2	31.1
FII (%)	1.2	P/E (x)	41.2	70.1	25.7	19.6
Daily Volume (US\$/'000)	310	CEPS (Rs)	12.0	9.1	16.5	20.3
Absolute Return 3m (%)	33.5	EV/E (x)	17.9	20.0	12.2	10.0
Absolute Return 12m (%)	31.5	Dividend Yield (%)	0.4	0.2	0.7	0.7
Sensex Return 3m (%)	25.4	RoCE (%)	11.7	8.9	15.6	18.2
Sensex Return 12m (%)	14.9	RoE (%)	11.9	6.7	15.9	17.7

Please refer to important disclosures at the end of this report

Table 1: Imports volume and share of imports from Malaysia*(Rs mn, year ending March 31)*

	UoM	2015-16	2016-17	2017-18	POI
Imports from Malaysia	MT			1,29,794	1,92,379
Imports from Other countries	MT	1,46,839	2,16,986	1,32,121	43,891
Total Imports	MT	1,46,839	2,16,986	2,61,915	2,36,270
Total PUC Production	MT	11,87,674	11,86,379	12,96,914	17,05,946
Demand of Subject goods in India	MT	10,89,530	11,77,155	13,27,845	14,79,660
Imports from Malaysia in relation to					
Production	%			10.01%	11.28%
Trend	Indexed			100	113
Consumption	%			9.77%	13.00%
Trend	Indexed			100	133
Total Imports	%			49.56%	81.42%
Trends	Indexed			100	164

Source: Notification;

Table 2: Duty tariff quarterly segmental revenue and EBIT trends

S. No	Heading	Description	Country of origin	Country of export	Producer	Duty Amount as % of CIF value
1.	7005	Clear Float Glass of nominal thicknesses ranging from 4 mm to 12 mm (both inclusive), the nominal thickness being as per BIS14900:200	Malaysia	Any country including Malaysia	Xinyi Energy Smart (Malaysia) Sdn. Bhd.	9.74%
2.	7005	-do-	Malaysia	Any country including Malaysia	Kibing Group (M) Sdn Bhd.	11.15%
3.	7005	-do-	Malaysia	Any country including Malaysia	Any other than SI no 1 & 2	4.02%
4.	7005	-do-	Any country other than Malaysia	Malaysia	Any	4.02%

Source: Notification;

Table 3: Earnings revision

	FY21E			FY22E			FY23E		
	Previous	New	Chg (%)	Previous	New	Chg (%)	Previous	New	Chg (%)
Sales	22,733	22,925	0.8	29,263	29,473	0.7	32,716	32,944	0.7
EBITDA	3,872	3,930	1.5	6,116	6,182	1.1	7,186	7,260	1.0
PAT	917	958	4.4	2,561	2,607	1.8	3,366	3,418	1.5
EPS (Rs)	3.8	3.9	3.7	10.5	10.7	2.1	13.8	14.1	1.9

Source: I-Sec research

Financial summary

Table 4: Profit and loss statement
(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Total Op. Income (Sales)	26,007	22,925	29,473	32,944
Operating Expenses	21,510	18,995	23,291	25,684
EBITDA	4,496	3,930	6,182	7,260
% margins	17.3%	17.1%	21.0%	22.0%
Depreciation & Amortisation	1,321	1,254	1,408	1,528
EBIT	3,176	2,676	4,775	5,732
Other Income	140	127	154	185
Gross Interest	1,439	1,457	1,204	1,034
PBT	1,877	1,346	3,724	4,883
Less: Exceptionals	37	-	-	-
PBT after Exceptionals	1,839	1,346	3,724	4,883
Less: Taxes	243	388	1,117	1,465
Less: Minority Interest	-	-	-	-
Add: Profit from Associates	-	-	-	-
Net Income (Reported)	1,596	958	2,607	3,418
Net Income (Adjusted)	1,629	958	2,607	3,418

Source: Company data, I-Sec research

Table 5: Balance sheet
(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
ASSETS				
Current Assets	12,762	12,705	15,100	16,301
Cash & cash eqv.	136	1,835	2,474	2,549
Current Liabilities & Provisions	11,149	9,868	12,234	13,476
Net Current Assets	1,613	2,837	2,865	2,825
Investments	424	2,791	3,791	4,791
Goodwill	13	13	13	13
Net Fixed Assets	24,598	23,844	23,436	23,408
Capital Work-in-Progress	4,882	4,882	2,882	882
Long term loans & advances	0	0	0	0
Deferred Tax Assets	1,462	1,462	1,462	1,462
Other non-current asset	0	0	0	0
Total Assets	28,109	30,945	31,566	32,498
LIABILITIES				
Borrowings	13,669	15,669	14,169	12,169
long-term borrowings	11,032	13,032	11,532	9,532
short-term borrowings	2,636	2,636	2,636	2,636
Long-term provisions	0	0	0	0
Deferred Tax Liability	912	912	912	912
Other Non-current Liabilities	0	0	0	0
Minority Interest	0	0	0	0
Equity Share Capital	243	243	243	243
Reserves & Surplus	13,189	14,026	16,146	19,078
Net Worth	13,432	14,269	16,390	19,321
Total Liabilities	28,109	30,945	31,566	32,498

Source: Company data, I-Sec research

Table 6: 5-stage DuPont analysis
(year ending March 31)

All figures in %	FY20	FY21E	FY22E	FY23E
Tax Burden	86.8	71.1	70.0	70.0
Interest Burden	57.9	50.3	78.0	85.2
EBIT Margin	12.2	11.7	16.2	17.4
Asset Turnover	92.4	73.8	93.2	101.2
Financial Leverage	209.3	216.9	192.6	168.2
ROE	11.9	6.7	15.9	17.7

Source: Company data, I-Sec research

Table 7: Cashflow statement
(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
Cashflow before working capital changes	4,356	3,669	5,219	5,980
Working Capital Changes	(900)	475	611	115
Operating Cashflow	3,456	4,144	5,830	6,095
Capital Commitments	(2,180)	(500)	(1,000)	(1,500)
Free Cashflow	1,276	3,644	4,830	4,595
Cashflow from Investing Activities	(3,512)	(2,867)	(2,000)	(2,500)
Issue of Share Capital	-	-	-	-
Inc/(Dec) in securities premium	-	-	-	-
Buyback of shares	-	-	-	-
Inc/(Dec) in Borrowings	(500)	2,000	(1,500)	(2,000)
Dividend paid	(293)	(122)	(486)	(486)
Others	(609)	(1,457)	(1,204)	(1,034)
Cashflow from Financing Activities	(1,402)	421	(3,191)	(3,521)
Net Cashflow	(69)	1,699	640	74
Closing Cash & Bank balance	136	1,835	2,474	2,549

Source: Company data, I-Sec research

Table 8: Key ratios
(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
Per Share Data (in Rs.)				
EPS (Basic)	6.6	3.9	10.7	14.1
EPS (Adjusted)	6.7	3.9	10.7	14.1
Cash EPS	12.0	9.1	16.5	20.3
Dividend per share (DPS)	1.0	0.5	2.0	2.0
BVPS (Adjusted)	55.3	58.7	67.4	79.5
Growth Ratios (%)				
Total Op. Income (Sales)	-9.0	-11.8	28.6	11.8
EBITDA	-13.7	-12.6	57.3	17.4
Net Income (Adjusted)	-15.1	-41.2	172.2	31.1
EPS (Adjusted)	-15.1	-41.2	172.2	31.1
Cash EPS	-4.5	-24.2	81.5	23.2
BVPS (Adjusted)	18.9	6.2	14.9	17.9
Valuation Ratios (x)				
P/E (Adjusted)	41.2	70.1	25.7	19.6
P/BV (Adjusted)	5.0	4.7	4.1	3.5
EV/EBITDA	17.9	20.0	12.2	10.0
EV/Sales	3.1	3.4	2.6	2.2
Return/Profitability Ratios (%)				
EBITDA Margin	17.3	17.1	21.0	22.0
Net Income Margin (Adjusted)	6.1	4.2	8.8	10.4
RoCE	11.7	8.9	15.6	18.2
RoNW	11.9	6.7	15.9	17.7
Dividend Payout Ratio	14.9	12.7	18.6	14.2
Dividend Yield	0.4	0.2	0.7	0.7

Solvency/Wkg. Cap. Ratios (x)

Net D/E	1.0	0.8	0.5	0.3
Debt/EBITDA	3.0	4.0	2.3	1.7
EBIT/Interest	2.2	1.8	4.0	5.5
Current Ratio	1.1	1.3	1.2	1.2
Quick Ratio	1.1	1.3	1.2	1.2
Inventory (days)	98	95	86	84
Receivables (days)	52	51	51	49
Payables (days)	81	81	82	83

Source: Company data, I-Sec research

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