

## Accumulate

### Well placed to ride on PVs recovery

- Asahi India 1QFY22 EBITDA number beat estimate. Revenue de-grew 26% QoQ to Rs. 6.03bn (Automotive glass down 30% QoQ while building glass down 22% QoQ). Operating margin remains strong at 19.6% led by resilient margin in Building glass division.
- EBIT Margin for Automotive glass contracted by 857 bps QoQ to 8.1% mainly due to negative operating leverage and for Architecture glass also contracted by 201 bps QoQ to 23.3%.
- AIS is also entering into manufacturing of solar glass with Vishakha industry. Total capex for AIS would be Rs.~1.-1.2bn and it will be funded through internal accruals.
- We expect the company to be a key beneficiary of revival in the volume of Automotive and Architectural glass(Building) segments. Moreover, strong traction in aftermarket business will also aid profitability. In the Automotive glass business, AIS would be the key beneficiary of uptick in volume of PV (current share of business from MSIL is above 90%) and incremental revenue from KIA (SOB 85%).
- Architectural glass business has also shown strong recovery in revenue and margin, benefiting from reduced import in India from Asian countries. Also imposing anti-dumping duty for clear float glasses in Malaysia is positive for building products (benchmark prices increased by 10-12%), which supported both pricing and volume.
- AIS is likely to generate strong free cash flow of ~Rs.11.5bn over FY21-24E (~12% of current EV) which would help to repay debt. The company has reduced its debt by Rs.2.5bn in FY21 and expects the same in FY22.
- We forecast 46% CAGR in earnings in FY21-24E, driven by a 12% increase in Revenue, 200bps margin expansion and benefits from the fall in interest and tax. We value the stock Rs.387 (based on 24x of FY24 EPS), and recommend Accumulate.

### Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	6,038	2,282	164.6	8,149	(25.9)
Total Expense	4,855	2,592	87.3	6,333	(23.3)
EBITDA	1,184	(310)	(481.7)	1,816	(34.8)
Depreciation	373	301	24.1	350	6.6
EBIT	811	(611)	(232.8)	1,466	(44.7)
Other Income	13	10	33.3	150	(91.2)
Interest	328	369	(11.3)	325	0.7
EBT	496	(970)	(151.2)	1,291	(61.6)
Tax	169	(336)	(150.4)	482	(64.9)
RPAT	347	(637)	(154.5)	842	(58.7)
APAT	353	(627)	(156.3)	846	(58.2)
			(bps)		(bps)
Gross Margin (%)	57.4	37.1	2023	54.6	278
EBITDA Margin (%)	19.6	(13.6)	3319	22.3	(268)
NPM (%)	5.8	(27.9)	3367	10.3	(458)
Tax Rate (%)	34.1	34.6	(52)	37.4	(325)
EBIT Margin (%)	13.4	(26.8)	4018	18.0	(457)

CMP	Rs 350		
Target / Upside	Rs 387 / 11%		
NIFTY	16,563		
<b>Scrip Details</b>			
Equity / FV	Rs 243mn / Rs 10		
Market Cap	Rs 85bn		
	USD 1bn		
52-week High/Low	Rs 408/ 200		
Avg. Volume (no)	2,14,194		
Bloom Code	AISG IN		
<b>Price Performance</b>			
1M	3M	12M	
Absolute (%)	(9)	15	75
Rel to NIFTY (%)	(13)	4	27

### Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	54.3	54.3	54.3
MF/Banks/FIs	0.9	13.3	13.2
FII	1.2	3.3	3.3
Public / Others	43.7	29.1	29.2

### Valuation (x)

	FY22E	FY23E	FY24E
P/E	34.4	26.1	21.7
EV/EBITDA	17.3	14.6	12.8
ROE (%)	15.8	18.0	18.5
RoACE (%)	11.3	13.4	14.9

### Estimates (Rs mn)

	FY22E	FY23E	FY24E
Revenue	28,431	31,229	34,089
EBITDA	5,573	6,402	7,056
PAT	2,472	3,261	3,920
EPS (Rs.)	10.2	13.4	16.1

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### Automotive glass to be on strong footing

Although 1QFY22 was weak, we expect a sharp bounce back in revenue from 2Q onwards. Domestic PVs demand is expected to see a swift recovery as lockdown restriction eases out, aided by strong order backlog, higher preference for personal mobility, better financing availability, strong rural demand and upcoming festive demand. Asahi India Glass is India's largest manufacturer of automotive glass, and has a market share of 75% in the PV segment. It supplies to all the leading OEMs in the country. MSIL is one of AIS's major customers. The company supplies 90% of MSIL's requirements. Hyundai is another major customer, AIS's share of business is 55-60% and for Kia is ~85%. We expect recovery in the PVs segment along with market share gain by Maruti will drive revenue growth for AIS.

### Building glass segment- Improvement in margin trajectory

Q1 margin for building glass was weak due to negative operating leverage. We expect margin trajectory to continue to be strong led by anti-dumping duty for clear float glasses, partially offset by increase in energy prices. Building glass demand continue to be strong due to increasing demand for office space in urban and semi-urban areas as urbanization accelerates.

### Foray in to Solar glass manufacturing:

AIS is entering into manufacturing of solar glass with Vishakha industry. Total capex for AIS would be ~1.-1.2bn and will be funded through internal accruals.

It would be India's largest green field solar glass plant at Mundra, Gujarat, with phase-1 glass manufacturing capacity of up to 3GW of the installable capacity of solar power plants. The plant is expected to be commissioned within 18-24 months. We believe AIS strategy to continue focus on diversification in same product line will help to de-risk its business from PV cycle and it will reap benefits in the longer term.

### Exhibit 1: Actual vs DART

Particulars (Rs mn)	Actual	Dart Estimates	VAR (%)	Comments
Revenue	6,038	6,251	(3)	
EBIDTA	1,184	1,063	11	
EBIDTA Margin (%)	19.60	17.00	260.1(bps)	RM Inventory adjustment
PAT	353	324	9	

Source: DART, Company

### Exhibit 2: Assumption Table

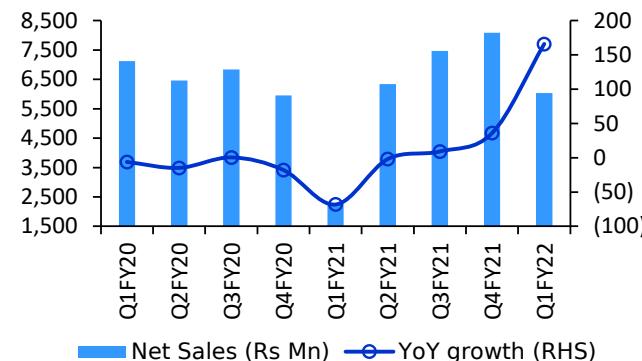
Financial Year	FY19	FY20	FY21	FY22E	FY23E	FY24E
Automotive Glass (Revenue Rs. Mn)	17,523	15,192	13,456	16,147	18,085	19,893
Revenue Growth (%)	1	(13)	(11)	20	12	10
Architectural Glass (Revenue Rs. Mn)	11,244	10,775	10,775	12,284	13,144	14,195
Architectural Glass Growth (%)	28	(4)	0	14	7	8
Segment Revenue	28,766	25,967	24,231	28,431	31,229	34,089

Source: DART, Company

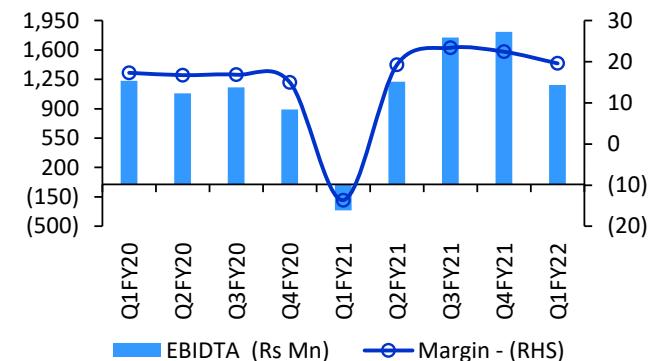
**Exhibit 3: Change in Estimates**

Particulars (Rs. Mn)	FY22E			FY23E		
	New	Previous	% Cng	New	Previous	% Cng
Net sales	28,431	28,431	-	31,229	31,229	-
EBITDA	5,573	5,288	5.4	6,402	6,402	-
EBITDA margin (%)	18.6	18.6	100 bps	20.5	20.5	-
APAT	2,472	2,267	9.0	3,261	3,261	-
EPS	10.17	9.33	9.0	13.41	13.41	-

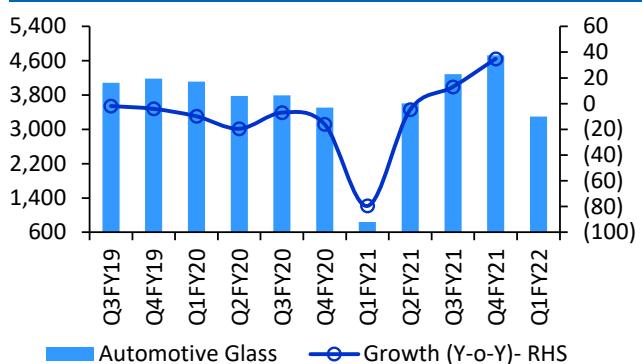
Source: DART, Company

**Exhibit 4: Revenue de-grew QoQ**


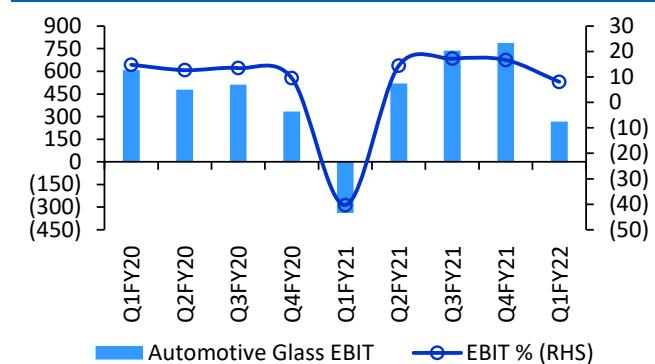
Source: Company, DART

**Exhibit 5: Margin moderated QoQ**


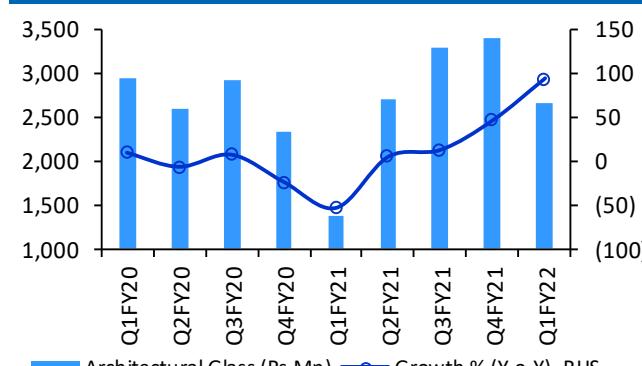
Source: Company, DART

**Exhibit 6: Automotive revenue de-grew QoQ**


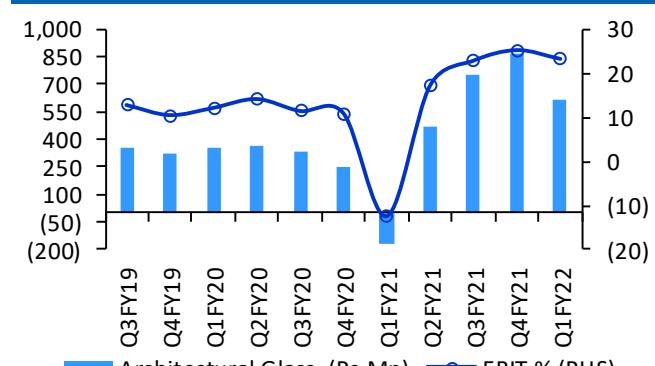
Source: DART, Company

**Exhibit 7: Automotive EBIT margin trend**


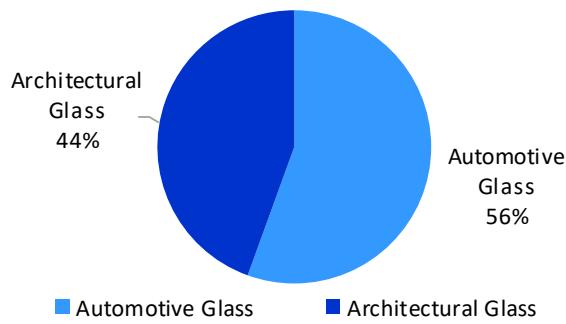
Source: DART, Company

**Exhibit 8: Architecture revenue de-grew QoQ**


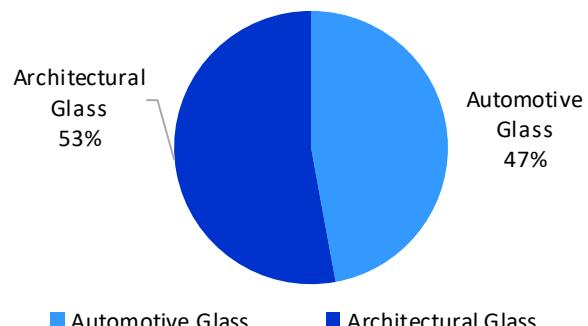
Source: DART, Company

**Exhibit 9: Architecture EBIT margin trend**


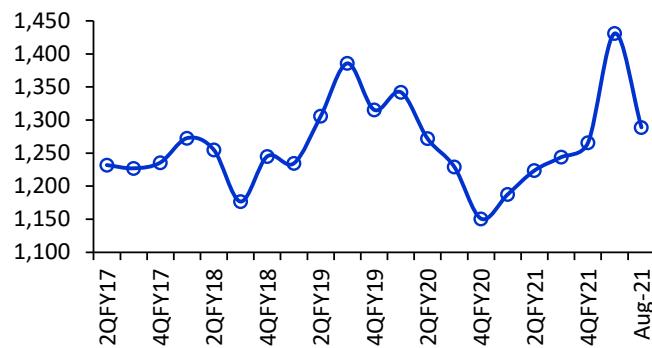
Source: DART, Company

**Exhibit 10: Revenue Mix FY21**


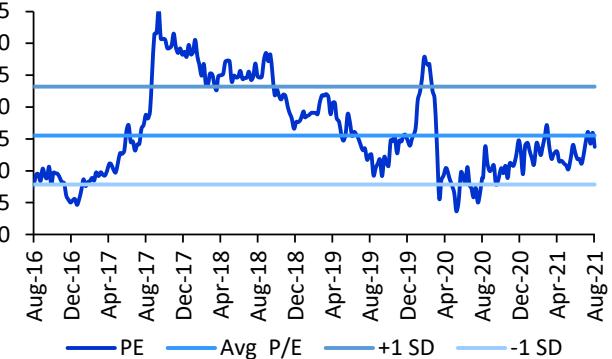
Source: DART, Company

**Exhibit 11: EBIT Mix FY21**


Source: DART, Company

**Exhibit 12: Stabilizing soda ash prices**


Source: DART, Company (price/50kg. bag)

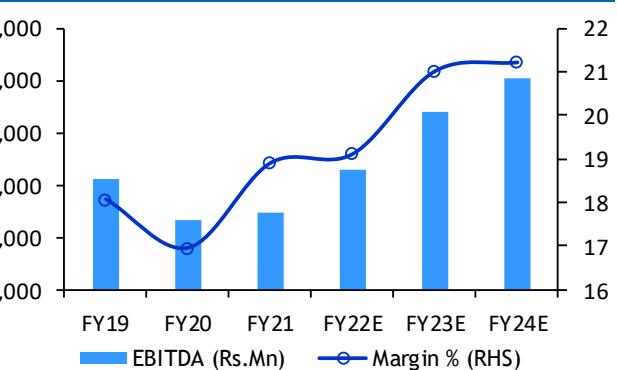
**Exhibit 13: 1 yr Avg. fwd PE Band**


Source: DART, Company

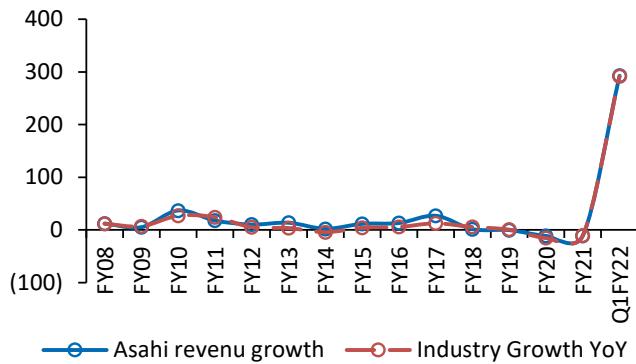
## Annual Charts

**Exhibit 14: Consol Revenue to grow at 12% CAGR**

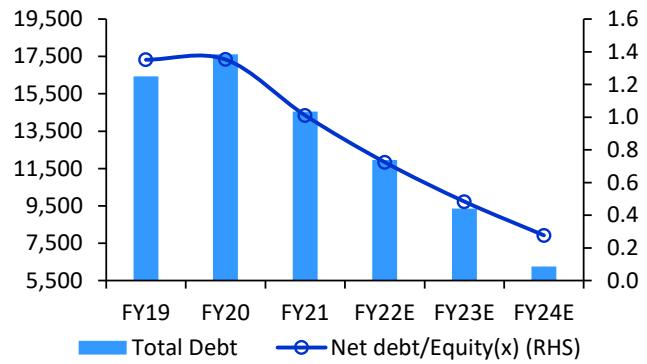

Source: DART, Company

**Exhibit 15: EBITDA margin to improve on better utilization**


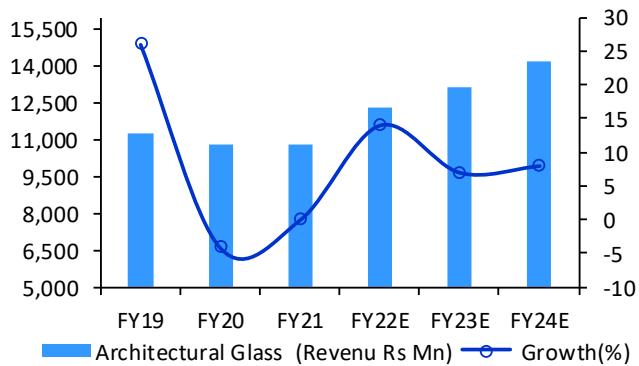
Source: DART, Company

**Exhibit 16: Asahi Automotive v/s PV industry**


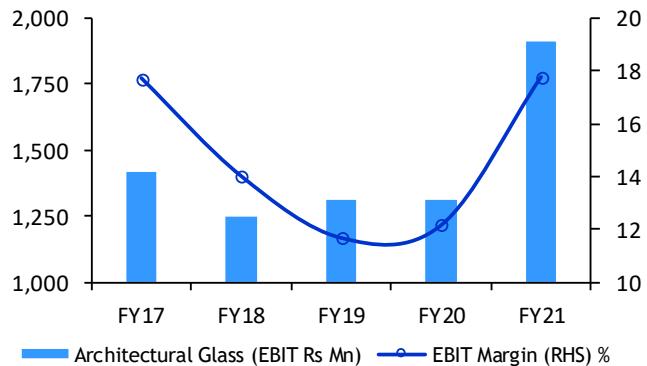
Source: DART, Company

**Exhibit 17: Debt level to go down**


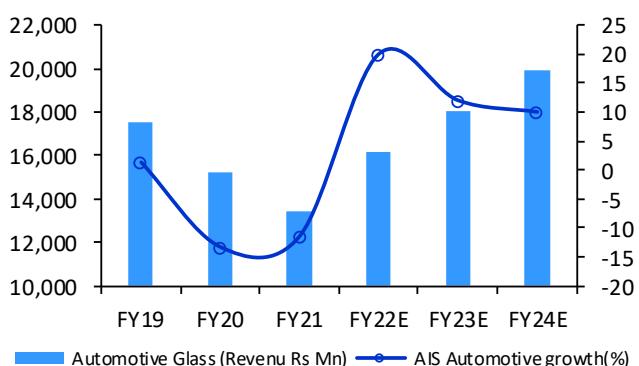
Source: DART, Company

**Exhibit 18: Architectural revenue to improve from FY22**


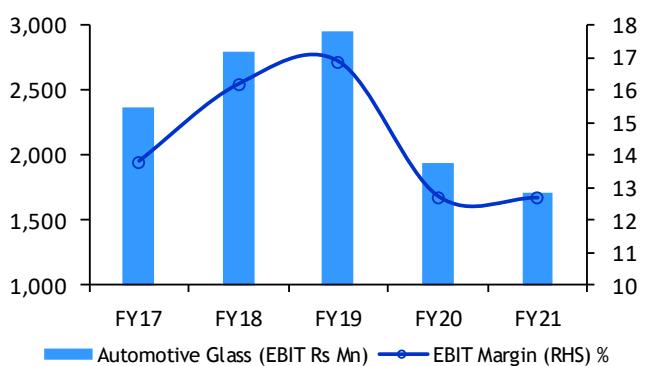
Source: DART, Company

**Exhibit 19: Architectural EBIT margin improved**


Source: DART, Company

**Exhibit 20: Automotive revenue to benefit from PV recovery**


Source: DART, Company

**Exhibit 21: Automotive EBIT margin trend**


Source: DART, Company

**Profit and Loss Account**

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>24,343</b>	<b>28,431</b>	<b>31,229</b>	<b>34,089</b>
<b>Total Expense</b>	<b>19,866</b>	<b>22,859</b>	<b>24,827</b>	<b>27,032</b>
COGS	7,357	8,956	10,149	11,079
Employees Cost	2,630	2,957	3,123	3,341
Other expenses	9,879	10,946	11,555	12,613
<b>EBIDTA</b>	<b>4,477</b>	<b>5,573</b>	<b>6,402</b>	<b>7,056</b>
Depreciation	1,323	1,488	1,521	1,553
<b>EBIT</b>	<b>3,155</b>	<b>4,084</b>	<b>4,881</b>	<b>5,503</b>
Interest	1,432	1,076	842	563
Other Income	326	344	404	416
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>2,049</b>	<b>3,352</b>	<b>4,443</b>	<b>5,356</b>
Tax	742	909	1,212	1,465
RPAT	1,307	2,442	3,231	3,892
Minority Interest	(24)	(30)	(30)	(28)
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>1,331</b>	<b>2,472</b>	<b>3,261</b>	<b>3,920</b>

**Balance Sheet**

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
<b>Sources of Funds</b>				
Equity Capital	243	243	243	243
Minority Interest	(162)	(132)	(102)	(74)
Reserves & Surplus	14,155	16,262	19,110	22,373
<b>Net Worth</b>	<b>14,398</b>	<b>16,505</b>	<b>19,353</b>	<b>22,616</b>
Total Debt	14,555	11,955	9,355	6,255
Net Deferred Tax Liability	116	116	116	116
<b>Total Capital Employed</b>	<b>28,907</b>	<b>28,444</b>	<b>28,722</b>	<b>28,913</b>

**Applications of Funds**

Net Block	<b>22,205</b>	<b>22,704</b>	<b>21,833</b>	<b>20,930</b>
CWIP	2,624	1,200	2,200	3,200
Investments	981	889	879	869
<b>Current Assets, Loans &amp; Advances</b>	<b>11,408</b>	<b>11,638</b>	<b>12,503</b>	<b>13,384</b>
Inventories	6,543	7,089	7,350	8,016
Receivables	2,682	2,804	3,080	3,362
Cash and Bank Balances	577	415	637	563
Loans and Advances	0	158	158	158
Other Current Assets	1,606	1,171	1,277	1,285
<b>Less: Current Liabilities &amp; Provisions</b>	<b>8,312</b>	<b>7,987</b>	<b>8,694</b>	<b>9,469</b>
Payables	6,392	6,263	6,802	7,406
Other Current Liabilities	1,920	1,724	1,892	2,063
<i>sub total</i>				
Net Current Assets	3,096	3,651	3,810	3,914
<b>Total Assets</b>	<b>28,907</b>	<b>28,444</b>	<b>28,722</b>	<b>28,913</b>

E – Estimates

**Important Ratios**

Particulars	FY21A	FY22E	FY23E	FY24E
<b>(A) Margins (%)</b>				
Gross Profit Margin	57.2	54.5	53.5	53.5
EBIDTA Margin	18.4	19.6	20.5	20.7
EBIT Margin	13.0	14.4	15.6	16.1
Tax rate	36.2	27.1	27.3	27.3
Net Profit Margin	5.4	8.6	10.3	11.4
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	30.2	31.5	32.5	32.5
Employee	10.8	10.4	10.0	9.8
Other	40.6	38.5	37.0	37.0
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	1.0	0.7	0.5	0.3
Interest Coverage	2.2	3.8	5.8	9.8
Inventory days	98	91	86	86
Debtors days	40	36	36	36
Average Cost of Debt	8.9	8.1	7.9	7.2
Payable days	96	80	80	79
Working Capital days	46	47	45	42
FA T/O	1.1	1.3	1.4	1.6
<b>(D) Measures of Investment</b>				
AEPS (Rs)	5.5	10.2	13.4	16.1
CEPS (Rs)	10.9	16.3	19.7	22.5
DPS (Rs)	1.0	1.5	1.7	2.7
Dividend Payout (%)	18.3	14.7	12.7	16.7
BVPS (Rs)	59.2	67.9	79.6	93.0
RoANW (%)	9.5	15.8	18.0	18.5
RoACE (%)	7.5	11.3	13.4	14.9
RoAIC (%)	6.9	10.5	12.7	14.2
<b>(E) Valuation Ratios</b>				
CMP (Rs)	350	350	350	350
P/E	63.9	34.4	26.1	21.7
Mcap (Rs Mn)	84,972	84,972	84,972	84,972
MCap/ Sales	3.5	3.0	2.7	2.5
EV	98,950	96,512	93,689	90,664
EV/Sales	4.1	3.4	3.0	2.7
EV/EBITDA	22.1	17.3	14.6	12.8
P/BV	5.9	5.1	4.4	3.8
Dividend Yield (%)	0.3	0.4	0.5	0.8
<b>(F) Growth Rate (%)</b>				
Revenue	(7.9)	16.8	9.8	9.2
EBITDA	3.0	24.5	14.9	10.2
EBIT	6.0	29.5	19.5	12.7
PBT	20.0	63.6	32.6	20.6
APAT	(13.4)	85.8	31.9	20.2
EPS	(13.4)	85.8	31.9	20.2

**Cash Flow**

(Rs Mn)	FY21A	FY22E	FY23E	FY24E
CFO	5,500	4,287	5,553	5,713
CFI	(915)	(563)	(1,650)	(1,651)
CFF	(4,355)	(3,876)	(3,680)	(4,137)
FCFF	4,585	3,724	3,903	4,062
Opening Cash	347	567	415	637
Closing Cash	577	415	637	563

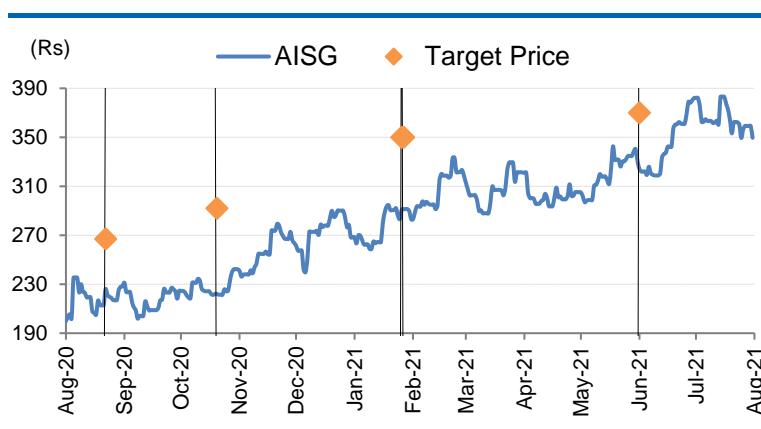
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Sep-20	BUY	267	226
Nov-20	BUY	292	222
Feb-21	BUY	350	291
Feb-21	BUY	350	291
Jun-21	Accumulate	370	324

\*Price as on recommendation date

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**Analyst(s) Certification**

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