

### Growth thesis intact

- Asahi India Glass (AIS) posted decent numbers in 4Q amid challenging conditions. Revenue fell by 17% YoY to Rs. 5.9bn led by 16% de-growth in Automotive glass division to Rs.3.5bn and 24% de-growth in Architecture glass division to Rs. 2.3bn led by slowdown in PVs and real estate segment along with negative impact of lockdown.
- Operating profit de-grew by 26% YoY to Rs. 893mn with a contraction in margin to 14.9% (-167bps YoY / -195 bps QoQ ) due to negative operating leverage and weaker product mix . PAT grew 11.7% YoY due to deferred tax adjustment.
- EBIT margin for automotive glass contracted by 395bps QoQ to 9.5% and 52bps QoQ to 10.9% for Architecture glass.
- In FY20 revenue de-grew by 9% to Rs. 26.4bn and EBITDA margin stood at 16.5%. Net debt/Equity stands at 1.1x.
- The company would be key beneficiary of revival in volume of PV segment. MSIL is poised for quicker recovery than other peers due to its rural suited product portfolio and market leadership in the entry level segment. Asahi would be the key beneficiary of uptick in volume of MSIL (current share of business from MSIL is above 90%).
- As most of capex has already been incurred, AIS is likely to generate strong free cash flow in FY21-23E. This should help repay debt. We forecast a 59% CAGR in earning in FY21-23E, driven by a 23% increase in EBITDA, and benefits from the fall in interest rates and tax. At CMP, the stock is trading at 24/19x for FY22/FY23E earning (versus 5 years' historical average of 38x). We value the stock Rs220 (based on 25x of Sept 22E EPS), and recommend BUY.

### Key beneficiary of recovery in PV segment

Asahi India Glass is India's largest manufacturer of automotive glass, and has a market share of 78%. It supplies to all the leading OEMs in the country. Maruti is one AIS's major customers. The company supplies 92% of Maruti's requirements (rest 8% by Saint Gobain). Hyundai is another major customer, AIS's share of business in 65%.

### Q4FY20 Result (Rs Mn)

Particulars	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)
Revenue	5,998	7,262	(17.4)	6,849	(12.4)
Total Expense	5,105	6,060	(15.7)	5,696	(10.4)
EBITDA	893	1,202	(25.7)	1,153	(22.6)
Depreciation	365	296	23.1	343	6.4
EBIT	528	906	(41.7)	811	(34.8)
Other Income	13	91	(85.9)	34	(62.5)
Interest	350	333	5.0	369	(5.2)
EBT	192	656	(70.8)	441	(56.5)
Tax	(314)	223	(240.9)	153	(305.2)
RPAT	519	452	14.8	316	64.4
APAT	512	459	11.7	380	34.9
			(bps)		(bps)
Gross Margin (%)	71.2	65.7	550	66.0	516
EBITDA Margin (%)	14.9	16.6	(167)	16.8	(195)
NPM (%)	8.6	6.2	242	4.6	404
Tax Rate (%)	(163.7)	34.0	NA	34.7	NA
EBIT Margin (%)	8.8	12.5	(367)	11.8	(303)

CMP	Rs 187
Target / Upside	Rs 220 / 17%
BSE Sensex	34,920
NSE Nifty	10,289

### Scrip Details

Equity / FV	Rs 243mn / Rs 10
Market Cap	Rs 45bn
	USD 601mn
52-week High/Low	Rs 273/Rs 119
Avg. Volume (no)	43,795
NSE Symbol	ASAHIINDIA
Bloomberg Code	AISG IN

### Shareholding Pattern Mar'20(%)

Promoters	54.3
MF/Banks/FIs	1.4
FIIIs	1.2
Public / Others	43.1

### Valuation (x)

	FY21E	FY22E	FY23E
P/E	46.1	24.3	18.9
EV/EBITDA	15.9	11.9	10.0
ROE (%)	7.2	12.6	14.5
RoACE (%)	6.7	9.7	11.1

### Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	23,066	27,388	31,563
EBITDA	3,640	4,747	5,470
PAT	986	1,869	2,401
EPS (Rs.)	4.1	7.7	9.9

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We expect a gradual recovery in PV segment from H2FY21, given that regulatory headwinds (BS6/safety) are largely over, traction in entry level cars as well as the easing of financing environment, new product launches, and improvement in rural demand.

### Enormous opportunity in architectural glass segment

Global average demand for sophisticated glass is higher than India. Value added glass is now becoming popular in residential buildings, apart from retail and commercial asset classes. India's climatic condition, being hot and sunny, is also driving demand for insulated and reflective glasses in buildings. Architectural segment should show a strong uptick in revenue, due to increasing demand for office space in urban and semi-urban areas as urbanisation accelerates.

### Exhibit 1: Actual vs DART

Particulars (Rs mn)	Actual	Dart Estimates	VAR (%)	Comments
Revenue	5,998	6,154	(3)	
EBIDTA	893	983	(9)	Negative operating leverage
EBIDTA Margin (%)	14.89	15.97	(108)bps	
PAT	512	379	35%	Tax adjustment

### Exhibit 2: Assumption Table

Financial Year	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Automotive Glass (Revenue Rs Mn)</b>	<b>17,296</b>	<b>17,523</b>	<b>15192</b>	<b>13369</b>	<b>16043</b>	<b>18289</b>
Revenue Growth (%)	1	1	(13)	(12)	20	14
<b>Architectural Glass (Revenue Rs Mn)</b>	<b>8,927</b>	<b>11,244</b>	<b>10775</b>	<b>9,697</b>	<b>11,346</b>	<b>13,274</b>
Architectural Glass Growth (%)	11	26	(4.2)	(10)	17	17
<b>Segment Revenue</b>	<b>26,440</b>	<b>29,058</b>	<b>26,449</b>	<b>23,066</b>	<b>27,388</b>	<b>31,563</b>

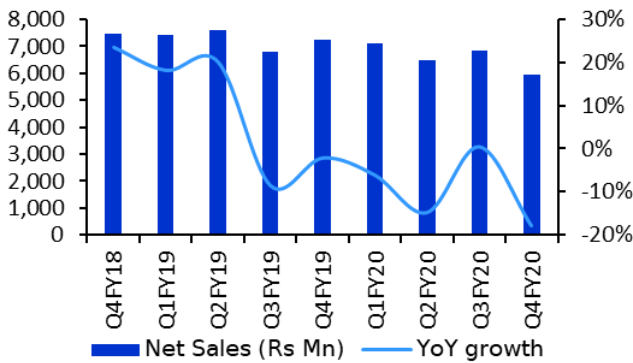
Source: DART, Company

### Exhibit 3: Change in Estimates

Particulars (Rs Mn)	FY21E			FY22E		
	New	Previous	% Cng	New	Previous	% Cng
Net sales	23,066	23,184	(0.5)	27,388	27,252	0.5
EBITDA	3,640	3,659	(0.5)	4,747	4,723	0.5
EBITDA margin (%)	15.8	15.8	(0.1)	17.3	17.3	0.1
APAT	986	1,012	(2.5)	1,869	1,869	(0.0)
EPS	4.06	4.20	(3.4)	7.69	7.70	(0.2)

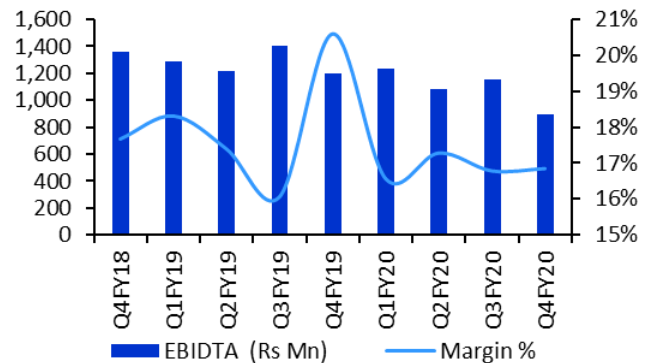
Source: DART, Company

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



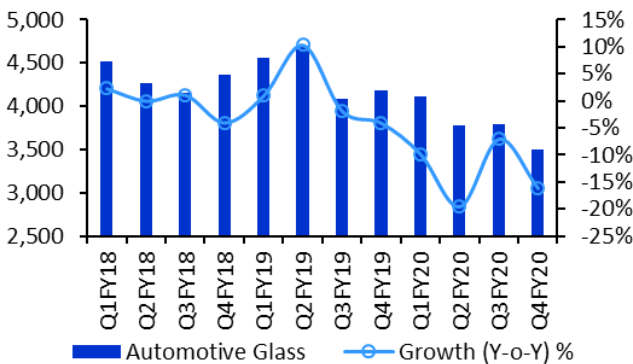
Source: Company, DART

**Exhibit 5: Margin declined YoY/QoQ**



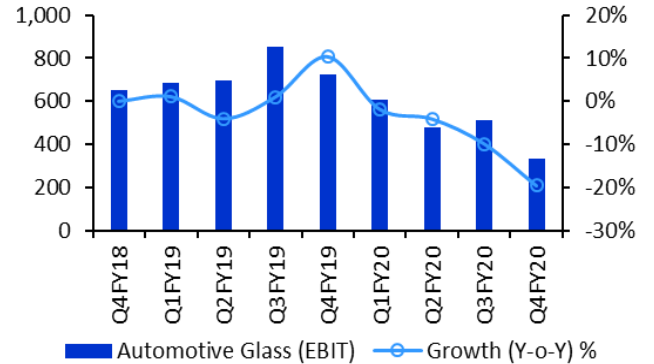
Source: Company, DART

**Exhibit 6: Automotive revenue de-grew 16% YoY**



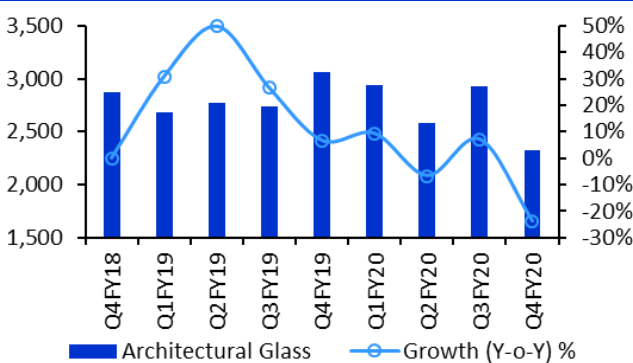
Source: DART, Company

**Exhibit 7: Automotive EBIT margin contracted YoY**



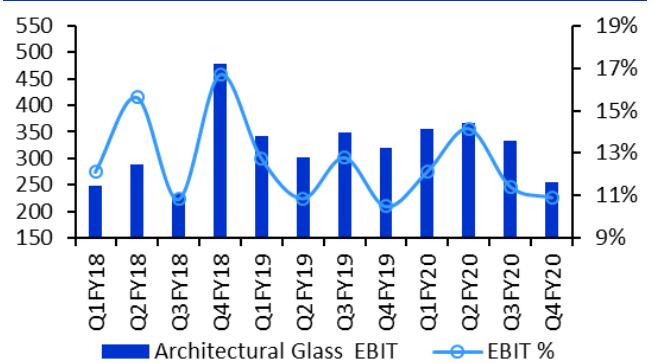
Source: DART, Company

**Exhibit 8: Architecture revenue declined YoY/QoQ**



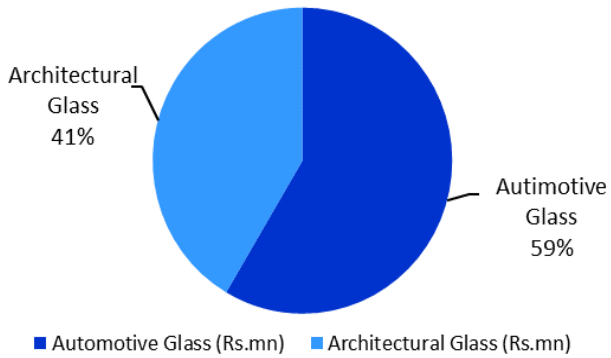
Source: DART, Company

**Exhibit 9: Architecture EBIT margin stable QoQ/YoY**



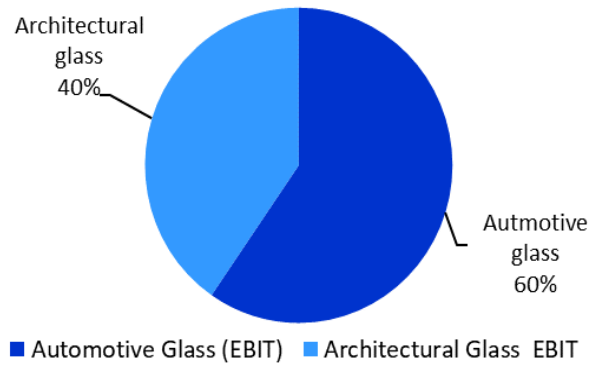
Source: DART, Company

**Exhibit 10: Revenue Mix FY20**



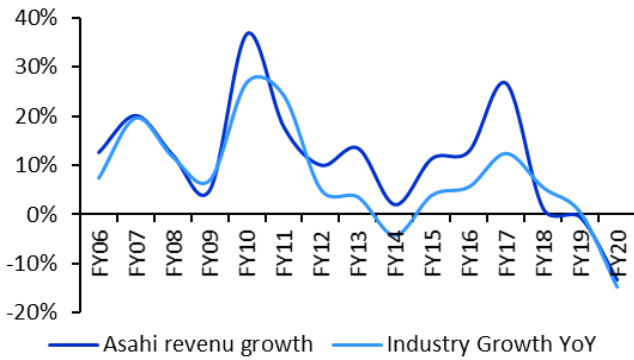
Source: DART, Company

**Exhibit 11: EBIT Mix FY20**



Source: DART, Company

**Exhibit 12: Soda ash prices softened**



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

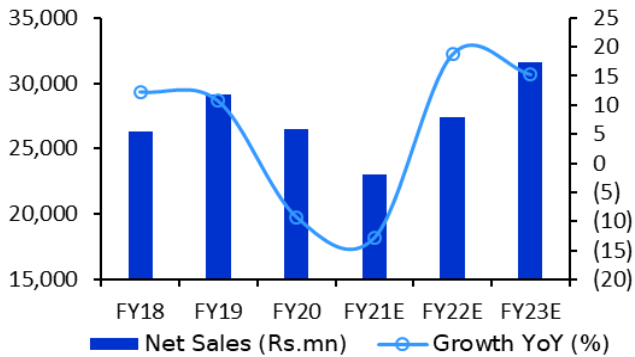
**Exhibit 13: 1 yr Fwd PE Band**



Source: DART, Company

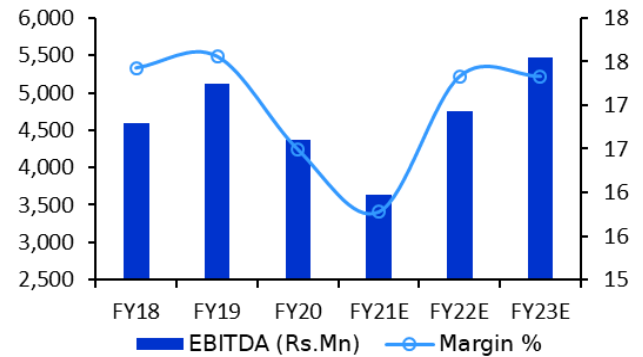
## Annual Charts

**Exhibit 1: Consol Revenue to grow at 17% CAGR**



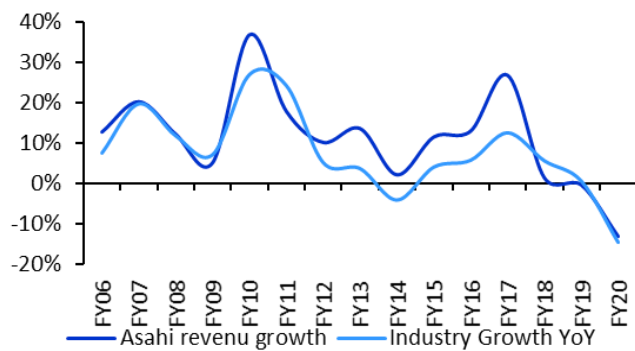
Source: DART, Company

**Exhibit 2: EBITDA margin to improve on better utilization**



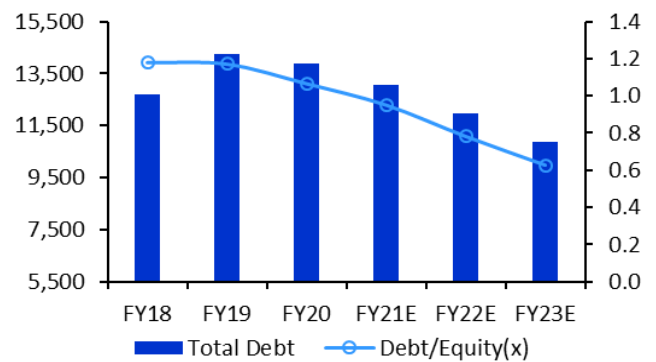
Source: DART, Company

**Exhibit 3: Asahi Automotive v/s PV industry**



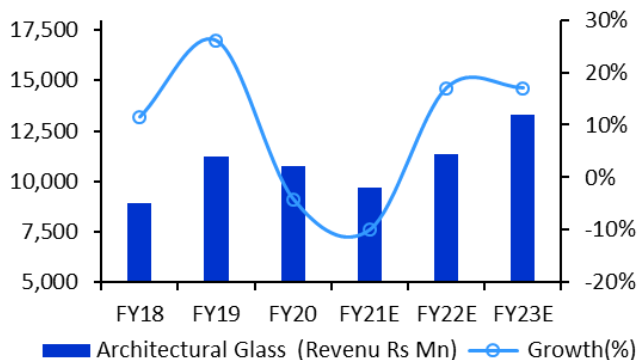
Source: DART, Company

**Exhibit 4: Debt level to go down**



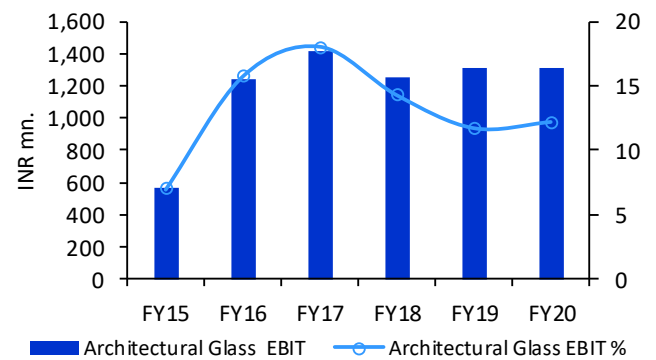
Source: DART, Company

**Exhibit 5: Architectural revenue to improve from FY22**



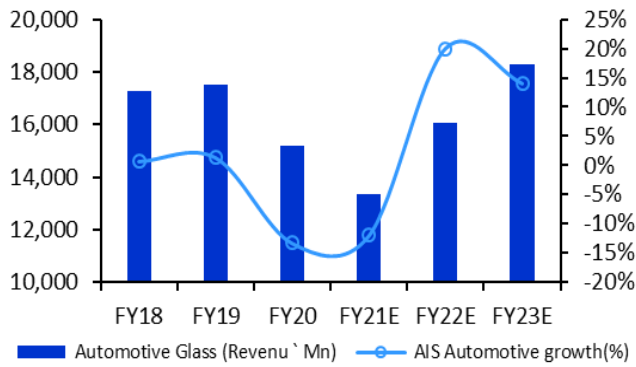
Source: DART, Company

**Exhibit 6: Architectural EBIT margin remain flat**



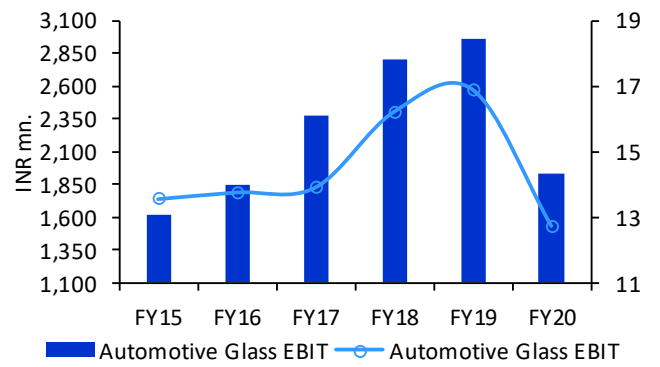
Source: DART, Company

**Exhibit 7:** Automotive revenue to benefit from PV recovery



Source: DART, Company

**Exhibit 8:** Automotive EBIT margin



Source: DART, Company

### Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>26,449</b>	<b>23,066</b>	<b>27,388</b>	<b>31,563</b>
<b>Total Expense</b>	<b>22,085</b>	<b>19,426</b>	<b>22,641</b>	<b>26,093</b>
COGS	8,897	7,808	9,230	10,637
Employees Cost	2,706	2,307	2,575	2,967
Other expenses	10,482	9,311	10,837	12,489
<b>EBIDTA</b>	<b>4,363</b>	<b>3,640</b>	<b>4,747</b>	<b>5,470</b>
Depreciation	1,371	1,402	1,471	1,597
<b>EBIT</b>	<b>2,993</b>	<b>2,239</b>	<b>3,276</b>	<b>3,874</b>
Interest	1,461	1,177	1,078	979
Other Income	210	225	270	290
Exc. / E.O. items	(35)	0	0	0
<b>EBT</b>	<b>1,707</b>	<b>1,286</b>	<b>2,468</b>	<b>3,184</b>
Tax	195	328	629	812
RPAT	1,512	958	1,839	2,372
Minority Interest	(25)	(28)	(30)	(29)
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>1,537</b>	<b>986</b>	<b>1,869</b>	<b>2,401</b>

### Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	243	243	243	243
Minority Interest	(137)	(109)	(79)	(50)
Reserves & Surplus	12,779	13,522	15,099	17,160
<b>Net Worth</b>	<b>13,022</b>	<b>13,766</b>	<b>15,342</b>	<b>17,404</b>
Total Debt	14,581	13,081	11,981	10,881
Net Deferred Tax Liability	176	176	176	176
<b>Total Capital Employed</b>	<b>27,643</b>	<b>26,914</b>	<b>27,421</b>	<b>28,411</b>

### Applications of Funds

Net Block	<b>20,351</b>	<b>24,876</b>	<b>24,905</b>	<b>25,308</b>
CWIP	4,886	1,400	1,401	1,402
Investments	916	243	233	223
<b>Current Assets, Loans &amp; Advances</b>	<b>11,811</b>	<b>9,718</b>	<b>11,739</b>	<b>13,343</b>
Inventories	7,221	5,688	6,378	6,918
Receivables	2,612	2,275	2,701	3,113
Cash and Bank Balances	347	641	991	1,679
Loans and Advances	0	158	158	158
Other Current Assets	1,631	957	1,511	1,475
<b>Less: Current Liabilities &amp; Provisions</b>	<b>10,322</b>	<b>9,323</b>	<b>10,857</b>	<b>11,866</b>
Payables	5,780	4,790	5,459	6,262
Other Current Liabilities	4,542	4,533	5,399	5,603
	<i>sub total</i>			
Net Current Assets	1,489	395	882	1,477
<b>Total Assets</b>	<b>27,642</b>	<b>26,913</b>	<b>27,420</b>	<b>28,410</b>

E – Estimates



### Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	48.7	48.3	48.2	48.2
EBIDTA Margin	16.5	15.8	17.3	17.3
EBIT Margin	11.3	9.7	12.0	12.3
Tax rate	11.4	25.5	25.5	25.5
Net Profit Margin	5.7	4.2	6.7	7.5
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	33.6	33.9	33.7	33.7
Employee	10.2	10.0	9.4	9.4
Other	39.6	40.4	39.6	39.6
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	1.1	1.0	0.8	0.6
Interest Coverage	2.0	1.9	3.0	4.0
Inventory days	100	90	85	80
Debtors days	36	36	36	36
Average Cost of Debt	9.9	8.5	8.6	8.6
Payable days	80	76	73	72
Working Capital days	21	6	12	17
FA T/O	1.3	0.9	1.1	1.2
<b>(D) Measures of Investment</b>				
AEPS (Rs)	6.3	4.1	7.7	9.9
CEPS (Rs)	12.0	9.8	13.7	16.4
DPS (Rs)	1.0	1.0	1.2	1.4
Dividend Payout (%)	15.8	24.6	15.6	14.2
BVPS (Rs)	53.6	56.6	63.1	71.6
RoANW (%)	12.0	7.2	12.6	14.5
RoACE (%)	10.3	6.7	9.7	11.1
RoAIC (%)	9.8	6.3	9.3	11.0
<b>(E) Valuation Ratios</b>				
CMP (Rs)	187	187	187	187
P/E	29.6	46.1	24.3	18.9
Mcap (Rs Mn)	45,458	45,458	45,458	45,458
MCap/ Sales	1.7	2.0	1.7	1.4
EV	59,692	57,898	56,448	54,661
EV/Sales	2.3	2.5	2.1	1.7
EV/EBITDA	13.7	15.9	11.9	10.0
P/BV	3.5	3.3	3.0	2.6
Dividend Yield (%)	0.5	0.5	0.6	0.7
<b>(F) Growth Rate (%)</b>				
Revenue	(9.2)	(12.8)	18.7	15.2
EBITDA	(14.7)	(16.6)	30.4	15.2
EBIT	(23.9)	(25.2)	46.4	18.2
PBT	(39.1)	(24.6)	91.9	29.0
APAT	(19.2)	(35.8)	89.5	28.5
EPS	(19.2)	(35.8)	89.5	28.5
<b>Cash Flow</b>				
<b>(Rs Mn)</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
CFO	4,770	4,235	4,260	5,049
CFI	(2,641)	(1,786)	(1,501)	(2,001)
CFF	(2,346)	(2,164)	(2,409)	(2,361)
FCFF	454	481	581	970
Opening Cash	564	357	641	991
Closing Cash	347	641	991	1,679

E – Estimates



### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	Buy	272	200
Nov-19	Buy	301	201
Feb-20	Buy	300	260
Mar-20	Buy	247	166
Mar-20	Buy	247	149
Apr-20	Buy	230	156
Jun-20	Buy	220	186

\*Price as on recommendation date

### DART Team

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